EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,742 — Friday January 13 1989 — D 8523A

SOCIALISM
How to get the economy rolling
Page 11

World News

Six rescued from ruins of Armenian earthquake

Six men were pulled alive from the ruins of an apartment building in Leninakan more than a month after it was destroyed in an earthquake in Soviet Armenia.

Israel bombs Nidal
Israeli combat aircraft bombed bases in southern Lebanon belonging to the Abu Nidal terrorist organisation for the second day in a row. Page 4

Jet checks widened
UK Civil Aviation Authority widened the precautionary checks on CFM-56 engines used in 737-300s and 400s to those used on Airbus A-320 aircraft following last Sunday's crash of a British Midland Boeing 737-400 in England. Page 6

Libya in US oil bid
Libya has reopened high-level contacts with US oil companies in a bid to end the three-year-old official freeze on US business involvement in the country. Page 12

Swiss minister quits
Elisabeth Kopp, Swiss Justice Minister, resigned after coming under suspicion of leaking confidential information to her husband on a drug money inquiry. Page 2

Chemical force
North Korea has built up the world's third-biggest chemical weapons force with the help of imports from Japan, Jane's Defence Weekly said.

Bases talks fail
US and Greek negotiators failed to resolve their differences over a new pact to permit American military bases to remain in the country.

Iraqi troops promise
Tareq Aziz, Iraqi Foreign Minister, said his country was ready to send peace-keeping troops to Lebanon, according to the Beirut daily, al-Diar.

Amin back in exile
Zaire sent Idi Amin, deposed Ugandan dictator, back into exile in Saudi Arabia. Page 4

Brazilian prices soar
Prices are soaring in Brazil, threatening a new surge in inflation, amid rumours and speculation over the Government's long-awaited economic package. Page 3

EC insists on cuts
EC will insist Italy honours a commitment to cut 3.4m tonnes of Italian steel capacity which has already aroused worker protests, a commission official said.

Iberia sackings
Iberia, Spanish airline plagued by maintenance staff strikes over pay and working conditions, sacked 21 employees and cancelled 88 flights.

Arab boycott
Arab Boycott Bureau said it was imposing a total boycott on 25 foreign companies for dealing with Israel.

Food reaches Awiel
Railway workers in Sudan crossed 175 miles of the civil war zone, rebuilding rail lines destroyed in the fighting as they went, to reach the starving town of Awiel with 30 wagonloads of maize, the Government said.

Business Summary

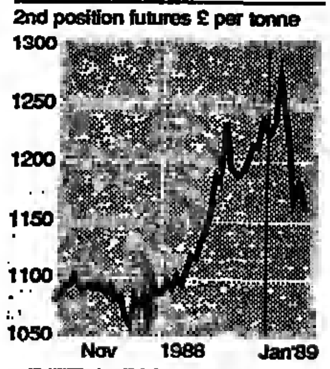
Chevalier quits as chairman of LVMH

ALAIN CHEVALIER resigned as chairman of Moët Hennessy-Louis Vuitton, French luxury products, champagne and cognac conglomerate, on the eve of a key board meeting expected to confirm the appointment of Bernard Arnault, head of the Financière Agache group, as his replacement. Page 13

ALAN BOND, Australian businessman, said he has "no current plans" to takeover Lonrho despite amassing a 21.6 per cent stake in the London-based international trading group. Page 13

COFFEE prices fell sharply again in London and analysts believe that the market has seen the last of the recent bull run.

Coffee
2nd position futures £ per tonne



The second position futures contract for robusta on the London Futures and Options Exchange closed down £23 at £1,158 a tonne. Page 26

FINMECCANICA, Italian state-owned power group, and Asea Brown Boveri, big electrical engineering group, signed long-awaited merger of Italian power generation businesses, creating a company with expected annual sales of $1.4bn. Page 18

SKANDIA, leading Swedish insurer, cleared the first hurdle in its attempt to acquire Vesta, Norway's second-largest insurance group, by gaining the acceptance of Vesta's board for a NKr800m ($120m) offer made in December. Page 18

NOVO INDUSTRI and Nordisk Gentofte, Denmark's two largest pharmaceutical companies, announced an agreed merger with a view to creating a company "to be a major player in the increasingly competitive world market for pharmaceuticals." Page 18

SKODA, Czechoslovak carmaker, was one of 38 enterprises described by the State Bank as technically insolvent and in need of restructuring. Page 3

DAEWOO GROUP, South Korean conglomerate, plans a $75m tourist hotel in Moscow in the first joint venture project between the two countries.

JAPAN will cut or eliminate tariffs on 179 so-called tropical products on April 1. The move will affect $3.3bn of imports a year.

NORWAY plans to follow Sweden and remove foreign exchange restrictions, said Björn Skogstad Aamo, Norway's Secretary of Finance. Page 20

US GOVERNMENT may block the sale of Monsanto's silicon wafer business to Huels of West Germany over rising concern in Washington about dependency upon foreign-owned companies for critical technology.

HONG KONG is to introduce controversial laws aimed at tightening its securities markets, criticised for lacking ethics and professionalism during the stock market crash. Page 12

Moscow imposes direct rule on disputed enclave

By Quentin Peel in Moscow

MR Mikhail Gorbachev yesterday formally imposed direct rule from Moscow on the rebellious mountain enclave of Nagorno-Karabakh, in a bid to defuse a year-long nationalist uprising in the Soviet republics of Armenia and Azerbaijan.

The move, approved by the presidium of the Supreme Soviet, the country's highest constitutional body, follows bloody race riots and demonstrations in both republics, leaving e death toll of at least 78, and thousands of refugees who have fled their homes.

It means that the disputed enclave will be "temporarily" placed under a "special form of administration," although officially remaining part of Azerbaijan. Tass, the Soviet news agency, said the aim was to "prevent a continued aggravation of inter-ethnic relations, and stabilise the situation in the region."

Tass said the decision was reached "with account taken of proposals from the party and state agencies of Azerbaijan and Armenia" following e meeting in the Kremlin.

The move is a compromise between the demands of mainly Christian Armenia that the mountainous region be transfered to Armenian jurisdiction and the insistence of the Moslem Azeris that the enclave remain part of Azerbaijan. About three-quarters of Karabakh's inhabitants are ethnic Armenians.

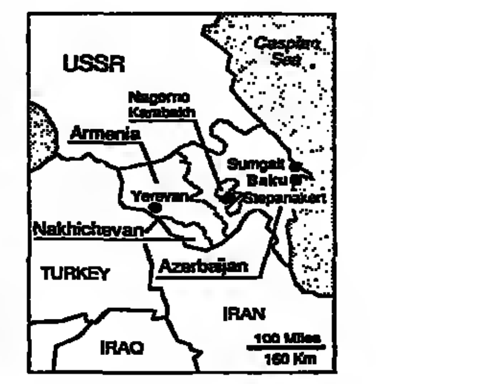
The decision goes some way to meeting Armenian demands, by imposing direct rule from Moscow, but tries to leave Azeri sensitivity intact, by making the move only temporary. The big question is whether the fiercely nationalist Azeris will accept what may be seen as a snub to their authority. The latest round of ethnic unrest was sparked by rumours of just such e move by the Kremlin.

The issue has seen massive demonstrations in both republics – with up to 1m people on the streets of Yerevan, the Armenian capital, early last year, and hundreds of thousands called out in counter-demonstrations in Baku, capital of Azerbaijan.

It has also seen brutal reprisals, starting with 32 deaths in race riots in Sumgait, an industrial city on the Caspian, last February, and culminating in a new rash of pogroms and murder leaving more than 40 dead in November and December.

Even the disastrous Armenian earthquake of December 7 failed to defuse the tension, and Nagorno-Karabakh itself has defied civil authority, with most workers out on strike, for most of the year.

Many towns in the two republics remain under effective curfew and military control today, and the Soviet authorities have arrested a string of key nationalist leaders on both sides.



UK, Brussels to investigate GEC-Siemens bid for Plessey

By Financial Times Reporters in London

THE AMBITIOUS project to restructure Europe's electronics industry through the £1.7bn ($3bn) takeover of Plessey, the UK electronics company, by the General Electric Company of Britain and Siemens of West Germany, is to be examined in detail by regulatory authorities in both the UK and the European Commission.

Announcements of the two investigations, which will be accompanied by a similar examination in West Germany, came yesterday after a week of drama in which a rival consortium including Plessey tried to mount a counter-bid against GEC.

The reference to the UK Monopolies and Mergers Commission was immediately followed by a share-buying spree in which GEC-Siemens, the new joint company set up to make the bid for Plessey, took its holding in Plessey to just under 15 per cent. GEC spent about £220m ($392m) on acquiring the holding at a price of 245p, 20p above the value of the lapsed bid.

Lazard Brothers, the UK merchant bank advising Plessey's defence, meanwhile was locked in negotiations trying to put together a rival consortium to bid for GEC. Its bid vehicle, Metsun, put out a holding statement confirming that talks were continuing which could lead to a bid which could lead to a "restructuring" of GEC including the sale of some or all of its businesses.

Two issues are to be looked at under the terms of reference given to the MMC by Lord Young, the UK Trade and Industry Secretary. He has asked the Commission to investigate the areas of defence electronics and traffic control equipment, where he says that there could be "possible effects on competition."

There is no mention of competition in the telecommuncations field, where the concortium is proposing an alliance between GPT, the joint company owned currently by GEC and Plessey, with Siemens. It is widely felt in the Government, and at the Office of Telecommunications, the regulatory body for the industry, that GPT needs an international partner in this field.

The main attention of the MMC will be directed at the issue of competition in the defence electronics field, where GEC's Marconi subsidiary is the major UK company. Marconi's activities overlap in various areas with Plessey's, particularly in radar equipment and communications.

At the time of GEC's previous bid for Plessey in 1985-86, the Ministry of Defence was strongly opposed to a merger, arguing that it needed two strong competitive suppliers. Its views have again clearly weighed heavily with Sir Gordon Borrie, the Director-General of Fair Trading who recommended that the bid should be looked at by the MMC. However, this time the Ministry appears to be willing to consider a deal if ways could be found of selling off parts of the proposed new group in key areas.

In Brussels, Sir Leon Brittan, the newly-appointed European Commissioner for competition policy, said there was a prime facie case that the consortium offer was covered by Article 85 of the Treaty of Rome; outlawing any kind of agreement likely to distort competition. As such it warranted a full investigation.

The West German Cartel Office is also conducting a parallel investigation, but the indications are that it will not step in to block the merger proposal.

It was still uncertain last night whether a Lazard consortium bid for GEC would materialise and what shape it would take.

It is understood that Lazard's attempts to woo STC, the UK's second largest electronics company, back into a consortium had failed.

The Lazard camp is apparently placing its main hopes on persuading AT&T to take over STC's role in the bid, amid indications that the Government would not be opposed to the US company taking part.

Lord Young believes that the decision means that any bid for GEC by a consortium including Plessey would have to be referred to the MMC.

If a bid came fairly quickly, the Government would ask the MMC to look at both proposals in tandem, although that would mean an extension of the three-month deadline set for the first investigation.

The Lazard camp prefers a simultaneous inquiry, adding urgency to its efforts to put together a consortium.

Regardless of what emerges from the Monopolies investigation, GEC-Siemens strengthened its hand with the stockmarket raid on Plessey.

Offering 245p, 20p above the price of the lapsed bid, GEC-Siemens swiftly raised its stake to 14.4 per cent, or 14.9 including parties considered to be acting in concert. After purchases on Wednesday, GEC-Siemens had held 2.4 per cent.

The 245p price sets a floor for any immediate GEC-Siemens offer, valuing Plessey at more than £1.8bn, if the MMC and DTI clear the way for a new bid to be launched. However, Sir John Clark, Plessey chairman, said the price still undervalued his company.

After the purchase limit was reached, the Plessey share price settled down to close only 7p higher on the day at 233p. GEC shares rose 2p to close at 215p.

Lex, Page 12; Analysis, Page 13; Background, Page 22

June 1985: Lord Weinstock of GEC and Sir John Clark of Plessey discuss need to integrate telecommunications divisions
December 1985: Plessey rejects £1.2bn bid from GEC
January 1986: Bid referred to Monopolies and Mergers Commission
July 1986: Paul Channon, Trade and Industry Secretary, backs MMC recommendation to block takeover
1987: Plessey and GEC agree to merge telecommunications interests into joint venture, GPT
March 1988: GPT begins operations
November 15: GEC Siemens, joint company created in September, launches £1.7bn bid for Plessey
December 8: Plessey applies to High Court to delay bid until European Commission rules on competition effects
December 20: High Court allows GEC Siemens bid to proceed
January 7 1989: Lazard Brothers announces possible bid for GEC by Metsun consortium backed by Plessey and other companies
January 12: Bid for Plessey referred to MMC and European Commission announces probe; Metsun says talks continue on the possible break-up bid for GEC.

G7 likely to meet soon, says Lawson

By Peter Norman and Philip Stephens in London

Finance ministers and central bank governors from the Group of Seven leading industrial nations may meet soon, Mr Nigel Lawson, UK Chancellor of the Exchequer, said yesterday.

Speaking in the House of Commons after talks in Washington this week with Mr Nicholas Brady, the US Treasury Secretary, Mr Lawson said e "low profile meeting of the G7 . . . and the first involving the new US Administration may well take place within the next few weeks."

It is understood that the exact time and place of the meeting to still to be fixed, although Washington at the beginning of February appears to be most likely.

The G7 countries – the US, Japan, West Germany, Britain, France, Italy and Canada – have been pursuing a policy of international economic co-operation since September 1985.

Senior officials of other G7 nations stressed that there was no element of crisis behind the moves for a meeting. Major joint decisions similar to the February 1987 Louvre Accord to stabilise currencies would not be on the agenda, they added.

In particular, the officials said they were unconcerned by the recent rise in the value of the dollar and denied market speculation that a policy rift was emerging between the US and West Germany. Mr Lawson said he was sure that the new US Administration would continue to play a full part in

UK news, Page 6; Currencies, Page 36

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Bush fills last two key Cabinet vacancies

By Nancy Dunne in Washington

PRESIDENT-ELECT George Bush yesterday filled the two remaining posts in his Cabinet with the appointment of Mr James Watkins, a retired admiral, as Energy Secretary and Mr William Bennett, a controversial former education secretary, to head the anti-drugs drive.

Both men, if confirmed by the Senate, will face some of the most intractable problems facing the US today.

Mr Watkins, 61, an authority on nuclear warfare, will have to oversee and find an estimated $100bn for the clean-up of US nuclear weapons plants and address proposals for new oil and gasoline taxes.

Mr Bennett, a charismatic conservative, must co-ordinate the efforts of more than 30 government agencies fighting what has been a losing war on illegal drugs.

Mr Bush had hesitated in his choice of an Energy Secretary in the hope of finding someone knowledgeable abont the department's traditioual concerns - oil, gas, and coal development and conservation - as well as nuclear energy. Eventually he selected an expert to solve the most immediate predicament.

Mr Watkins is a former nuclear submarine commander and former chief of neval operations.

He served as chairman of President Reagan's AIDS task force, which produced a comprehensive report on the magnitude of the disease in the US, and accused the Reagan Administration of reacting too slowly and committing too little money to combat Aids.

Continued on Page 12

Fiat and VW neck-and-neck in bumper year for car sales

By Kevin Done, Motor Industry Correspondent, in London

THE fierce battle for leadership of the west European car market ended last year in a virtual dead heat between Fiat of Italy and Volkswagen of West Germany.

Industry estimates published by the Financial Times today suggest that VW could be marginally ahead, possibly by as few as 1,500 cars in a total market of 12.999m. It is understood that preliminary internal VW estimates also indicate that the West German group has beaten off the Fiat challenge following a final spurt in December.

Fiat, already uncontested as Europe's most profitable car maker, was expected to end Volkswagen's three-year leadership of the car sales league, having built np a formidable lead in the early months.

The official registration figures from some European countries will not be available for several months, but the estimates suggest that the two companies have each sold some 1.93m cars in 17 western European markets, giving each a market share of 14.9 per cent.

Fiat itself disclosed officially that its sales volume had jumped by 9.8 per cent in 1988 to 1.93m cars, enabling it to increase its market share to 14.9 per cent from 14.3 per cent in 1987. It declined to repeat the claim to market leadership that it had made all year, however, until VW had officially announced its sales figures.

Volkswagen said that definitive figures were not yet available. It is understood, however, that the internal VW estimates show that it has snatched a tiny lead over Fiat in the final month of the year with sales of 1.936m cars, compared with Fiat's 1.933m.

Car makers resort to a variety of devices to boost their sales and market shares to gain advantage at crucial moments, and it is clear that botb Fiat and Volkswagen have pulled out all the stops in a last-ditch effort during December to secure market leadership.

Estimates indicate that Volkswagen group sales, including Audi and Seat, were 14.9 per cent higher in December against the same month of 1987, which compared with an increase for the full year of 3.9 per cent. Fiat group sales, including Lancia, Alfa Romeo and Ferrari, were 19.8 per cent higher in December compared with an increase for the year of 9.5 per cent.

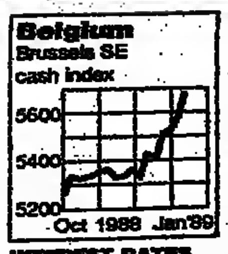
According to preliminary industry estimates, new car sales in west Europe jumped by 4.6 per cent last year to 12.999m from 12.4m in 1987, reaching a record level for the fourth successive year.

The unprecedented surge in new car sales since the mid-1980s has established western Europe as the biggest car market in the world.

Street fight for sales, Page 3
Ford review, Page 6

MARKETS

Belgium
Brussels SE cash index



INTEREST RATES
US lunchtime
Federal Funds 9 7/16 % (same)
3-mth Treasury Bills: yield: 8.53% (8.52)
Long Bond: 99 15/32 (99½)
yield: 9.01% (9.04)
London
3-month interbank: close 13 1/16 % (13⅛)

STERLING
New York lunchtime
$1.7820 (1.7865)
London:
$1.7845 (1.7810)
DM3.2575 (3.237)
FFr11.1125 (11.0950)
SFr2.7775 (2.7700)
Y225.25 (224.50)

DOLLAR
New York lunchtime
DM1.8285 (1.82525)
FFr6.2370 (6.2170)
SFr1.55875 (1.55225)
Y126.425 (125.825)
London:
DM1.8255 (1.8285)
FFr6.2275 (6.2300)
SFr1.5560 (same)
Y126.15 (126.10)

GOLD
New York latest
Comex Feb
$405.6 (405.2)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
2,232.50 (+26.07)
S&P Comp
284.19 (+2.18)
London:
FT-SE 100
1,850.9 (+16.8)
World:
142.27 (Weds)
Tokyo
Nikkei Ave
31,143.45 (same)
Frankfurt
Commerzbank
1,698.7 (+11.0)

OIL
Brent 15-day (Argus)
$16.3 (-0.025) (Feb)
West Tex Crude
$17.935 (+0.02) (Feb)

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Gonzalez flexes his muscles against trade unions

Spain's socialist Prime Minister, Felipe Gonzalez, flexing new-found muscle following December's damaging general strike, has pronounced the 12-year "social pact" between unions, employers and Government dead
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Spain's PM hits out angrily after failure of talks with unions

Gonzalez says 'social pact' dead

By Peter Bruce in Madrid

AN ANTWERP shipping director has been arrested on charges of falsifying documents concerning regular deliveries of construction materials and chemical products to Libya, the city's legal authorities said yesterday.

News of the arrest coincided with the clearest admission to date by the Bonn Government that West German companies might have helped build a chemical plant in Libya which the US says is for chemical arms production.

The government spokesman, Mr Friedhelm Ost, said the authorities had "indications of possible participation" by West German exporters.

Mr Jozef Gedopt, director general of the Antwerp shipping company Cross Link, was arrested on arrival from Geneva at Brussels airport on Wednesday, and is being held in custody in Antwerp, Mr Walter Desmedt, the investigating magistrate, said.

He described the shipments as including "everything to build a factory and chemical products used in the working of it". He could not say whether the shipments, which apparently started in 1983 and continued for three or four years, related to the Rabta plant at the centre of US accusations.

The magistrate said his inquiries also concerned Mr Gedopt's financial records and could lead to a tax inquiry.

According to Belgian news reports, the authorities are investigating cargo loaded at Hamburg, ostensibly destined for Hong Kong, but then rerouted via Antwerp for the Libyan port of Tripoli. This ruse apparently allowed the shipments to escape certain restrictions, presumably West German, on exports to Libya.

Detailed allegations to date about the role of West German concerns, witting or unwitting, in the construction of a suspected Libyan chemical weapons plant were spelled out yesterday in Stern magazine. The account is reportedly based on CIA information and on papers seized by the West German Customs from the Frankfurt-based IBI Engineering.

Stern alleges that Mr Ihsan Barbouti, the Iraqi who runs IBI, began co-ordinating support in Frankfurt in 1985 from about 30 West German companies, several Austrian engineers, and Swiss banks. Equipment from many of the named companies ended up in Libya via Mr Gedopt, it alleges.

The article refers to the alleged role in supplying Libya of Imhausen-Chemie, the first West German company to be named in US inspired newspaper reports, but was subsequently cleared by the relevant German authorities.

The company has denied any conscious role in supplying Libya and Mr Jurgen Hippenstiel-Imhausen, the owner, has claimed it does not even have the know-how to build a chemical weapons plant. Stern, however, says the company's own publicity claims it can build pesticide plants, easily adaptable to weapons production.

The magazine also says that through the Hamburg office of the firm Pen-Tsao-Materia-Medica, equipment found its way to Libya. It was supposedly destined for a Hong Kong pharmacentical plant via Pen-Tsao's subsidiary there, which also represents Imhausen.

Yesterday the Libyan ambassador to the UN, Mr Ali Treiki, told CBS News that: "The West Germans did help us not only on this plant but other plants also." However, he insisted it was a pharmaceutical plant.

Gonzalez: refusing to lead a "puppet government"

Antwerp businessman arrested over shipments to Libya

By David Buchan in Brussels and David Goodhart in Bonn

SPAIN'S SOCIALIST Prime Minister, Mr Felipe Gonzalez, flexing new-found muscle following December's damaging general strike, has set his face firmly against strident trade union demands to change economic policy and pronounced the 12-year "social pact" between unions, employers and government dead.

Talks on the policy demands between the two unions which led the strike, the socialist UGT and the Communist CCOO, and e powerful government team led by Mr Gonzalez, ended in total failure late on Wednesday night. "I would prefer a thousand times to just go home than to lead a puppet government," he said afterwards.

The union demands were "worrying", he said, "because we are talking about more than the demands. We are playing with the political economic future of our country".

"The social model that has been used since the transition (to democracy), a dialogue between the Government, unions and employers to reach agreements has no future in Spain," he said. "It is finished.

"If what (the unions) are trying is to play blind man's buff with this Government, if, when a formal agreement is reached, they say it is not good enough and when you change direction they say it is still not good enough and not good enough again in another direction, they are not going to do it with me," he said.

The return of Mr Gonzalez's political composure following the December 14 strike, which kept 8m people away from work, was most marked in his defence of economic policies which have brought down inflation, cut unemployment and generated high growth. "We will not adopt policies that take us into a situation from which there is no exit," he said.

Initial union reaction was limited to expressions of pessimism but no new strike threats have been made. Another general strike would be difficult to mount, particularly as the Government has gone out of its way to concede that the first was a success and that accusations of it being arrogant may have been justified.

The spring wage round promises to be rough, however.

Wednesday's talks were originally to have been with the Labour Ministry, but Mr Gonzalez took the unions by surprise the day before by announcing that he and his Finance, Labour and Public Administration ministers would attend.

The unions costed their demands, including an extension of unemployment cover and raising pensions, at Pta600bn (£2.96bn), while the Government appears to have offered Pta150bn and is steadfastly refusing to upset its optimistic 3 per cent inflation target for this year.

The depressed political climate in Spain will undoubtedly worsen now. Already, the Prime Minister and Mr Antonio Gutierrez, the CCOO leader, are barely able to speak to each other, and Mr Nicolas Redondo, the UGT leader, and Mr Carlos Solchaga, the Finance Minister, both Socialist Party members, have not exchanged a word since 1986.

Although Mr Gonzalez continues to rule out a general election before next year, an October or November poll after Madrid's period of European Community presidency and the summer holidays remains possible, say many commentators.

He appears to have decided not even to bother trying to draw back Mr Redondo into the Socialist Party fold and pry him away from Mr Gutierrez. A party executive meeting today is likely to back him and could begin detailed work on an election strategy.

MR DOUGLAS Hurd, Britain's Home Secretary, yesterday attacked Libya's sponsorship of international terrorism, claiming that Britain had proof that Colonel Muammer Gadaffi had supplied the Provisional Irish Republican Army "with tons of sophisticated weapons and large quantities of Semtex explosive", writes John Wyles in Rome.

His decision to highlight Col Gadaffi's role as "paymaster" of international terrorism in a speech to the Italian Police Institute in Rome, was partly an attempt to influence Italian political opinion which is seen in London as too soft on Libya. The British Government is sceptical of Italian claims that normalising relations with Libya is the best way to moderate Col Gadaffi's behaviour.

Saying that the 93 people killed by terrorists in Northern Ireland last year was proportionately equal to 3,500 deaths in Italy, Mr Hurd said the Libyan leader had provided the Provisionals with "ample funds" and only last September had described their cause as "just". In addition, he was encouraging the Abu Nidal Palestinian terrorist organisation.

Italian PM struggles to survive

By John Wyles in Rome

THE ITALIAN Government headed by the Christian Democrat leader, Mr Ciriaco De Mita, is struggling to escape the tidal rhythms of post-war Italian politics which wash governments away on average every nine months.

Established last April under the first authoritative Christian Democrat Prime Minister for eight years, the five-party coalition appeared full of vim and vigour until last month.

Then, its strategy for reforming Italy's troubled public finances began to totter in the face of union opposition and of draining confidence that the 1989 budget would achieve its aim of containing the public sector deficit.

A union threat of e general strike on January 31 over the Government's tax plans has torn apart the twin pillars of the coalition, the Christian Democrats and the Socialists, and raised the spectre of a political crisis which could bring the Government down.

Apparently anxious to forestall this, Mr De Mita has promptly called a meeting of the coalition party leaders which struggled late into yesterday evening to chart a way forward.

As so often in recent years, the initiative seemed to lie last night with Mr Bettino Craxi, the Socialist Party leader, who has been steadily distancing himself from the coalition all week and, in the process, making a bit of a nonsense of the doctrine of collegial government.

While not himself a minister, Mr Craxi is requiring his two lieutenants, Mr Gianni De Michelis, the Deputy Prime Minister, and Mr Giuliano Amato, the Treasury Minister, to walk away from policies they had earlier endorsed and to take a fresh approach.

It is unlikely that Mr Craxi wants the Government to fall because this could precipitate an early election. But it does seem that he wants ministers to allow the unions to determine tax policies, restoring to them a political power which they have not enjoyed for at least five years.

This would satisfy two Craxi objectives in the run-up to the European elections in June.

Concessions to the unions would collapse the Communist argument that the Socialists cannot be "progressive" when locked in government with the Christian Democrats.

They could also weaken Mr De Mita to the extent of ensuring that he does not change his mind about stepping down as leader at his party's congress next month.

Swiss Justice Minister quits over drugs money scandal

By William Dullforce in Geneva

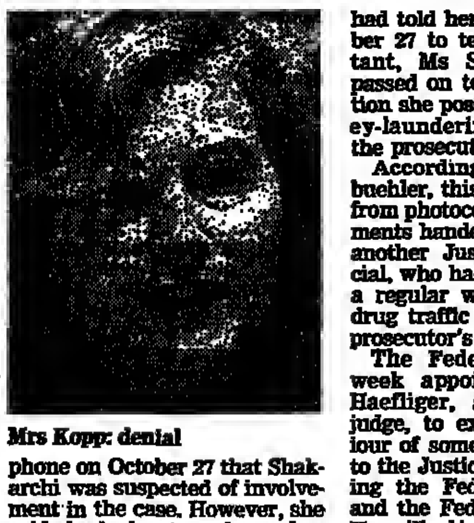
THE SWISS Justice Minister, Mrs Elisabeth Kopp, resigned with immediate effect yesterday after coming under suspicion of leaking confidential information to her husband on a drug money inquiry.

The investigation into e $1bn money-laundering case has led to an unprecedented Swiss political scandal. A Government-appointed special prosecutor has asked Parliament to lift the immunity of Mrs Kopp, Switzerland's first woman cabinet minister. In her resignation statement yesterday she agreed to waive her immunity.

Mr Hans Hungerbuehler, the prosecutor, has asked for a formal investigation into the possibility that Mrs Kopp, Ms Katharina Schoop, her personal assistant, and another government official violated secrecy regulations by passing confidential information to Mrs Kopp's lawyer husband.

Mr Kopp resigned as deputy chairman of the Shakarchi trading company in Zurich on October 27. A week later a public prosecutor in the canton of Ticino named the Lebanese-controlled company when announcing the opening of an inquiry into a $1bn drug money-laundering operation since dubbed the "Lebanon connection".

Mrs Kopp admitted on December 9 that she had warned her husband by tele-



Mrs Kopp: denial

phone on October 27 that Shakarchi was suspected of involvement in the case. However, she said she had not used any document or information from her ministry.

Three days later, denying any "moral or legal guilt" and saying she was ceding to "unbearable pressures", she announced her resignation with effect from February.

She had been re-elected to the Federal Council (central government) only five days previously and, under the Swiss rotation system, would have become President of the Confederation in 1990.

The special prosecutor alleges that Mrs Kopp did not reveal the whole truth. She had told her husband on October 27 to telephone her assistant, Ms Schoop, who had passed on to him the information she possessed on the money-laundering investigation, the prosecutor claims.

According to Mr Hungerbuehler, this information came from photocopies of three documents handed to Ms Schoop by another Justice Ministry official, who had acquired them in a regular way from the anti-drug traffic unit in the public prosecutor's office.

The Federal Council this week appointed Mr Arthur Haefliger, a former federal judge, to examine the behaviour of some services attached to the Justice Ministry, including the Federal Police Office and the Federal Aliens Office. He will also investigate newspaper claims that the public prosecutor's office "watered down" reports in files concerning the Shakarchi company and Mr Kopp.

Under Mrs Kopp, the Justice Ministry has responded favourably to a US campaign urging other countries to tighten laws against the laundering through their banks of money generated in the criminal activities of the Mafia and other organisations. Indeed, Mrs Kopp had announced that she planned to introduce legislation next spring, earlier than originally scheduled.

Arms talks deadlocked after Turkey rejects compromise

By Judy Dempsey in Vienna

NATO diplomats yesterday failed to hreak the deadlock over what area of Turkey should be included in European arms talks, with Turkey refusing to compromise.

Problems over the mandate for the Conventional Stability Talks (CST), which will group the 16 Nato and seven Warsaw Pact nations, now seriously threaten the prospects for a successful end next week to the Vienna review meeting of the Conference on Security and Co-operation in Europe (CSCE).

Amid frantic meetings throughout the day, Turkey turned down a compromise wording on the dispute which arose when Greece last week insisted that the southern Turkish port of Mersin, a major transport centre for northern Cyprus, be included in the CST zone.

Foreign ministers from the 35 CSCE participants (the US, Canada, and all European states except *Albania*) are due in Vienna between January 17-19 to accept the final text.

However, the Vienna meeting cannot be successfully concluded without the agreed CST *mandate being annexed to the* final document.

And yesterday, several countries, sensing a chance to make last-minute amendments to the draft CSCE text, which last week was drawn np hy the Neutral and non-Aligned countries, raised objections to the document.

The United States, for instance, is still withholding consent on a follow-up CSCE meeting on cultural heritage which is due to take place in Krakow, *Poland, in 1991. It is* understood that its support hinges on the Soviet Union agreeing to give "retroactive" effect to a clause which relates to those Soviet citizens, who, hecause of their sensitive work, have been refused permission to emigrate. The text makes no mention of such previous applications.

In addition, the Warsaw Pact indicated that it was still not prepared to accept language in the agreement under which it *must consider sympathetically* the idea of dropping the requirement of Western visitors to the Eastern bloc that they change large amounts of hard currency.

Apparently the East German leadership, which a fortnight ago held e politburo meeting to discuss this issue, is most vocal in its refusal to accept this part of the NNA text.

To complicate matters even further, Cyprus has hinted that if the port of Mersin is not *written into the CST mandate,* it would block consensus.

Meanwhile, Canada has so far not said it would attend a human rights conference in Moscow in 1991 which forms part of the special CSCE "mechanism" for monitoring compliance with the Vienna document.

Boost for EC's social dialogue

By David Buchan in Brussels

BUSINESS and union leaders yesterday agreed to set up a high-level group to intensify consultations on conditions of work in Europe's changing labour market.

This was agreed at the special conference convened here by Mr Jacques Delors, the European Commission president, to give fresh political impetus to the "social dialogue" between both sides of European industry.

Though agreement for revamping this dialogue went little beyond generalities, the employers appeared to have given slightly more ground than the unions in agreeing to put social aspects of the European Community's internal market programme fractionally higher up their list of priorities. In doing so, European business leaders are bowing to the prevailing winds blowing from an increasing number of EC governments and from the Delors Commission itself.

The new steering group, composed of leaders of Europe's private and pnblic sectors and of unions, is to supervise work on education and training and on prospects and problems of creating a single labour market to match Europe's emerging single economic market.

To focus attention on unemployment, Ms Vasso Papandreou, the new Greek Commissioner for EC social affairs, announced that she would be drawing up an annual EC employment report, the first of which would be ready by the middle of this year. Mr Delors hailed recent jobs gains in the Community, citing the creation of 1.6m new jobs last year, but said his Commission would be also producing special studies on those sectors whose workforce would suffer because of increasing business de-regulation and competition.

Mr Delors also promised to consult the two sides of industry on Commission structural aid programmes in member states, provided, he said, "national governments agree". The Brussels Commission will also seek formal consultations from business and unions on its plans for a legal charter of worker rights and for a European company statute incorporating worker participation in the management of those companies that wanted to adopt such e statute.

Mr Zygmunt Tyskiewicz, secretary general of Unice, the private employers federation, welcomed such consultations. He acknowledged that worker participation was a problem for industry in many member states.

Kremlin emergency meeting on economy

By Quentin Peel in Moscow

THE SOVIET Council of Ministers is expected to finalise a package of price control measures and discuss new budget cuts in an emergency meeting called for Saturday.

At the same time, the meeting is supposed to draw up urgent steps to improve supplies of fruit and vegetables in Soviet shops.

The prices package was approved in outline last week by the politburo. It is intended to stop the process of creeping inflation, caused by the new system of self-financing for all state enterprises. It is also aimed at the high prices charged by co-operative ventures – Mr Mikhail Gorbachev's fledgling small business sector – by discriminating in favour of those who stick to controlled state prices.

Budget cuts were mooted last weekend by Mr Gorbachev, inclnding cuts in defence spending. The fact that a package is already under discussion was confirmed by Dr Leonid Abalkin, a top economic adviser.

The spending cuts are needed to reduce the Roubles 35bn (£32bn) unfinanced state budget deficit, identified by Mr Gorbachev as the single greatest problem in the country's economic crisis. The budget was only approved in October, and it is not certain that cuts can be finalised already by the weekend.

The Council of Ministers, the supreme executive body of Soviet government, may also have to discuss the angry criticism by the co-operative movement at its decision two weeks ago to impose new restrictions on co-operative activity, in effect forcing a whole range of new businesses to make cuts or close. Worst affected are medical co-operatives, and entertainment organisations, including video clubs, discotheques and the like.

The prices package will hit co-operatives again by rationing scarce supplies and bank credit to those observing artificially low state prices. Local councils are also getting wider powers to set a ceiling on prices in co-operative restaurants and cafes.

With inflation unofficially estimated at somewhere between 5 and 8 per cent, compared with an official figure of about 1 per cent, the issue is a source of growing popular discontent with Mr Gorbachev's perestroika reforms.

The Soviet press has also turned its attention with a vengeance to the chronic problem of fruit and vegetable supplies, estimating the wastage between collective farms and the shops at anything from 20 to 50 per cent.

A damning article yesterday by Professor Viktor Kiselyev of the Central Institute of Mathematics and Economics, argues that it is pointless to raise agricultural prodnction without radical changes in the distribution system.

French to reactivate fast breeder nuclear reactor

By Paul Betts in Paris

THE FRENCH Government has decided to reactivate the prototype Superphenix fast breeder nuclear reactor at Creys-Malville, near Grenoble, whicb was shnt down 20 months ago after an accident.

The decision to restart the reactor for a seven to eight month trial drew protests from ecologists. But the Industry Ministry said yesterday it had been satisfied by the Franco-German and Italian consortium operating the plant that e trial would be safe.

The plant was shut down 20 months ago after an undetected fissure caused a steady leak of liquid sodium from the cooling plant. It came soon after the *Chernobyl disaster* and cast further doubts on the future of the costly and controversial programme.

However, the French nuclear industry has been anxious to press ahead. Eléctricité de France, the electricity utility, has indicated repeatedly that it wants to be in e position to huild fast breeders on an industrial scale by the beginning of the next century to provide an alternative to its light water reactors.

French left in municipal poll pact

By Ian Davidson in Paris

FRANCE'S Socialist and Communist parties signed a political pact yesterday with the aim of securing the maximum possible agreement on left-wing candidates in the March municipal elections. It commits the Communists not to vote down the Socialist Government in Parliament.

The agreement follows a parallel pact between the right-wing Gaullist party and the centre-right UDF grouping. The consequence is that, with few important exceptions, the municipal elections are likely to take the form of a simple left-right contest.

The agreement, presented yesterday by Mr Pierre Mauroy, first secretary of the Socialist Party, and Mr Georges Marchais, the Communist leader, should strengthen the left-wing chances in the municipal elections.

But it also represents a symbolic gesture in the direction of a union of the left, of which Mr Mauroy was prime ministerial champion after the 1981 Socialist victory, and away from the opening to the centre which has been sought by President François Mitterrand and Prime Minister Michel Rocard.

The document makes clear that the Communists and the Socialist do not share the same view of government policy. But it goes on to say that the two parties, "having fought the previous right-wing government, confirm their opposition to the right-wing parties . . . and will oppose any attempt by them to return to power".

In other words, the Communist Party has repeated, in a formal agreement with the Socialists, its previous unilateral undertaking for the rest of this parliament not to vote against the Government in a censure motion tabled by the right. If observed, such a commitment virtually guarantees that the Government cannot be toppled, except in circumstances of a big revolt within the Socialist Party.

In return for a deal with the Socialists, the Communists have been forced to accept that their popular standing has declined since the previous municipal elections of 1983.

West German, US expectations differ, envoy says

By David Goodhart in Bonn

RECENT disagreements between West Germany and the US over exports to Libya, hormones in meat, and low flying military jets, represent more than just the routine conflict between allies, according to Mr Richard Burt, the retiring US ambassador in Bonn.

Interviewed in the Snddeutsche Zeitung, the Munich-based daily newspaper, he said that underlying the details of recent conflicts, and more difficult to resolve than the details, was a growing gulf between what the two countries expected from each other.

"The Federal Republic wants more understanding and Washington wants more readiness to agree," said the 41-year-old ambassador who is soon to leave for London, where he will take on a joh as an investment banker with Shearson Lehman.

Mr Burt also said that looking after the relationship between the two countries would become increasingly difficult. The Federal Republic must take on more responsibilities, inside and outside Europe, and the US must stop expecting obedience and learn to seek co-operation in new ways.

He said the recent tension over the role of German companies in supplying Libya had been exaggerated by an emotional press campaign in both countries. He also said that Mr George Bush came to the US presidency with a special knowledge and understanding of Germany.

Alfa plant tensions

ENGINEEERING workers at the Alfa-Lancia plant at Arese, near Milan, added to industrial relations tensions within the Fiat group yesterday by rejecting the company's plans to operate two production shifts, writes John Wyles in Rome.

Fiat's first attempt to invoke what is normally an automatic overtime clause in the engineering industry's agreement faces union demands for wider-ranging talks.

French welfare contract seeks to bring the poor back in from the cold

By Jennifer Monahan

A REMARKABLE international gathering in Paris this week heard Mr Michel Rocard, the French Prime Minister, give a firm commitment on the issue of poverty. "The emergence of new links of solidarity in society is not just a luxury but a necessity," Mr Rocard told the Assizes on New Solidarity, held to discuss the social exclusion faced by the poor in modern societies.

The Assizes, opened on Monday by President François Mitterrand, gronped politicians, civil servants, industrialists, academics, social workers, pressure groups and charities. Poverty was diagnosed as the outcome of the very processes that have created increasing wealth in industrialised countries. Speakers pointed to the complexity and sophistication of modern society, to the lack of *communication* between the two worlds, rich and poor, and to the growing tendency of the former to fear and reject the latter.

"For a long time I thought that the poor of the Third World were more miserable than the excluded populations of our rich cities," said Mr Bernard Kouchner, Minister responsible for Humanitarian Action and the organiser of the Assizes.

"But slowly, I found in France an anguish and isolation more acute than the suffering overseas."

It was widely agreed that poverty brought in its train multiple disadvantages, in health, housing, education, *training, that made it* impossible to achieve integration in a competitive and fast-changing society. Poverty also implied a "civic" exclusion, preventing the fulfilment of a person's role as parent, neighbour, or informed voter.

Much discussed was France's newly-introduced *Revenu Minimum d'Insertion*, literally minimum income for integration. High hopes are pinned on the RMI: almost certainly too high. What it provides is a means-tested source of income to complement other provisions, ensuring a minimum of FFr2,000 per month (roughly £200) for a single person, *Frs 3,000 for a couple*, and Frs 600 for each dependent child. People aged over 25 are eligible, and those under 25 with children. It is enough either to pay the rent or to eat, but not both.

The RMI's main strength, in the eyes of a number of social workers at the Assizes is that it brings eligibility for state rent assistance, and automatically gives social security cover, opening the path to assisted medical care for the unemployed.

The key question, and the subject of much of the debate at the Assizes, concerns *insertion* or integration into society. The aim is that every claimant should sign a contract with the local agency accredited to administer the RMI, agreeing to to follow some activity designed to aid integration, such as job training or literacy lessons. Several local RMI schemes, initiated by communes, have been in action for some time. By and large they run well. But what is envisaged now is on a totally different scale: some 500,000 people are estimated to be eligible.

The first payments of the RM started in December, while the infrastructures to achieve the *insertion* have yet to be set up. There was wide agreement at the Assizes that money alone is not enough: people living a precarious marginal existence need a great deal of personal support. There was also general agreement that the large national agencies are ill-suited to provide these personal contacts.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E.Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societats-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd, 1989.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, Copenhagen, DENMARK.

AMERICAN NEWS

US to fight for stake in new-generation TV market

By Louise Kehoe in San Francisco

US electronics companies are planning a big collaborative industry and government effort to win a significant share of the US market for High Definition Television (HDTV), a new generation of television technology that promises vastly improved television picture quality. The market is expected to be worth $25bn (£14bn).

The industry aims to establish a for-profit industry consortium to develop HDTV technology and eventually make televisions and related equipment. The project will require both public and private funding, expected to total several hundred million dollars.

Details of the proposal will be worked out by an industry panel sponsored by the American Electronics Association, an industry trade group, in the next two months. The aim, according to Ms Pat Hubbard, AEA vice president, is to "assist US companies to capture a majority share of the hardware markets associated with High Definition Television in the US". The US TV market is dominated by Asian suppliers.

As well as rejuvenating the US consumer electronics industry, HDTV is seen as a key "driver" of semiconductor and display technology that may have far broader applications in computers and military electronics.

Outlining the plan, Ms Hubbard said the industry would seek partnerships with the federal government to support a research and development consortium. The emphasis of this effort would be "very much on development of products for manufacture", she said.

The consortium will license the technology it develops to other companies and use it to make television receivers and related products.

Ths industry has already won broad sympathy for its cause in Washington, where HDTV has become the main focus of the dehate on the international competitiveness of US industry.

As well as broad bi-partisan support in Congress, the industry has the backing of key elements of the Administration. Late last month, for example, the Defence Department announced a $30m programme to fund research on HDTV related technology.

Still to be seen, however, is whether the specific proposals will be acceptable in Washington, where the idea of federal funding of a for-profit consortium may cause concern.

The greatest challenge facing the organisers of the HDTV consortium may however be winning industry support. While there is a broad consensus in the industry that something must be done to prevent foreign competitors from "stealing" the US HDTV market, few have so far been willing to invest in this high-risk opportunity.

The AEA has however brought together a powerful industry team to develop details of the HDTV consortium plan. Companies represented on the industry panel include Apple Computer, Digital Equipment, Harris, Hewlett-Packard, IBM, ITT, Motorola, Raychem, Tektronix, Texas Instruments, Varian and Zenith as well as several smaller electronics concerns.

Venezuela wins $120m loan to build roads

By Joe Mann in Caracas

THE Venezuelan Government has received approval from the Inter-American Development Bank in Washington for a $120m (£68m) loan to be used in the second stage of a programme for building and improving roads in agricultural producing areas.

The total cost of the highway programme is $400m.

In recent years, as its external financial situation has deteriorated, Venezuela has sought new credits from the IADB and the World Bank.

Colombia guerrillas join peace call

A COMMUNIQUE signed by the Government and M-19 guerrillas calls on political parties and other Colombian guerrilla movements to support peace efforts, writes Sarita Kendall.

M-19 has stuck to a unilateral ceasefire, convincing the Government of its commitment to peace talks. Further meetings with M-19 are planned, hnt other gronps have not rednced guerrilla operations.

Some in the Revolutionary Armed Forces of Colombia (FARC) claimed to be observing a ceasefire over Christmas but several fronts remained active.

M-19 has lost numbers and popularity over the past three years, and is now virtually confined to the Canca region of south-west Colombia. Some believe the peace talks may be a strategy to buy time.

Falklands ferry sails for Uruguay

A CARGO vessel left the British-ruled Falkland Islands for Uruguay yesterday in an attempt to establish a sea link with Sonth America for the first time since the 1982 Falklands war, Reuter reports from Port Stanley.

The Bahamas-registered Indiana 1 roll-on roll-off vessel sailed despite a warning from Uruguayan government officials that the cargo and passenger service could be established only with Argentina's permission.

Brazilian prices soar amid spreading rumours of freeze

By Ivo Dawnay in Rio de Janeiro

PRICES are soaring in Brazil, threatening a new surge in inflation, amid rumours and speculation over the Government's long-awaited Summer Plan economic package.

Fears of a new price freeze are accelerating the rises, with consumer durable prices in some cases more than doubling. In markets in Rio de Janeiro, traders have lifted fruit and vegetables' prices by an average of 22 per cent in a week and nearly 90 per cent over the past month.

After a period of calm, investors are again turning to non-cruzado assets with gold, the black dollar and stockmarkets all benefiting. The margin between the official dollar rate and the so-called parallel rate, up by 10 points on Wednesday, has risen to 78 per cent, the highest for two years.

Interest rates are also booming as the lending markets attempt to attract funds away from more easily liquidated overnight deposits. The post-fixed Certificates of Bank Deposits (CDBs) – a 60-day inflation-linked paper – increased 4.5 points yesterday, to offer real interest of 27.5 per cent a year.

The uncertainty is being fueled by the welter of often contradictory advice to the Government on how to combat an inflation rate of just less than 1,000 per cent.

While Mr Mailson da Nóbrega, the Finance Minister, and Mr João Batista de Abreu, the Planning Secretary, have insisted that no price freeze is planned, some believe President José Sarney still favours such a move.

Many traders have protected themselves against a freeze by marking prices up sharply but introdncing substantial discounts, sometimes of up to 50 per cent. If a freeze is declared, they can then end the discount – further fuelling inflation.

Union militancy is also increasing, following reports that the Government intends to end the Price Reference Unit (URP). This is the index that has allowed pay to track inflation rates, though with a built-in delay aimed at putting downward pressure on the wage-price spiral.

Businessmen appear anxious that the Government should announce its measures quickly to halt the destabilisation of the economy. Mr Mario Amato, president of São Paulo's powerful industrialists' Federation, Fiesp, said on Wednesday that even a freeze could be acceptable if it was accompanied by radical and proven cuts in federal expenditure.

War of words on interest rates

The Fed and the new Administration disagree, reports Janet Bush

LAST autumn, the debate about where US interest rates were heading featured a pitched battle between five regional Federal bank presidents, who sit on the Federal Open Markets Committee and who were central to the decision to raise the US discount rate last August, and the seven appointed governors, who had seemed more cautious about raising rates.

A more substantive difference of opinion now seems to exist, however, between the Fed and the incoming Administration.

The Administration believes the economy can grow at an *inflation-adjusted* 3.2 per cent annnally for the next few years, a view which Mr George Bush, President-elect, has embraced.

The Federal Reserve Board, under the chairmanship of Mr Alan Greenspan, believes the economy can accommodate only 2.5-2.75 per cent growth without igniting higher inflation.

The war of words is already well under way. Last autumn, Mr Greenspan told the Senate Banking Committee that any thought of "growing out of the budget deficit" would require an arcane set of assumptions."

Earlier this week, President Ronald Reagan's Council of Economic Advisers delivered an upbeat view of the US economy and criticised the Fed for overreacting to short-run changes in economic indicators which were either temporary or illusory.

Mr Beryl Sprinkel, chairman of the council, warned that, hy continuously tightening policy over the next six to nine months, the Fed had the capacity to produce a recession.

While at times last autumn a majority of governors stood against a further tightening, there is now believed to be a majority in favour.

Mr David Jones, chief economist at Anbrey G Lanston, said: "There is not the slightest evidence that the tightening last year has had any dampening effect on the economy. Something should have shown up by late last year but the economy ended 1988 roaring like a lion."

It is now fairly clear that the FOMC has pushed the Fed Funds target range to 9-9¼ per cent from 8¾-8⅞ per cent late last year.

The qnestion now is not whether the Fed will raise the discount rate hut whether short-term interest rates will be pushed higher.

The discount rate is not now regarded within the Fed as an effective tool of monetary policy and its reluctance since August to raise the rate again partly reflects efforts to play down its importance. Since the Group of Seven industrialised nations began co-ordinating their economic policies more closely in 1985, moves in official interest rates have become more politically sensitive.

Discount rate changes these days are most often used to send a strong signal to the financial markets or simply to catch up with tightening moves which have already taken place.

There are significant reasons for cantion in pushing rates higher. The Fed is thought to be deeply concerned about the level of consumer, corporate and Third World debt. There may also be some international pressure not to allow the dollar to appreciate snbstantially while other G-7 members are fighting a build up in domestic inflation.

Primarily, however, there is a big body of opinion looking for a sharp slowing in growth later this year.

Mr Mickey Levy, chief economist of First Fidelity Bancorp in Philadelphia, said: "All the best measures indicate tightness, and the Fed has to be very cantious. The spread between the long bond and the Fed Funds rate has gone negative and, every time this has happened, the economy has gone into a tailspin."

He notes that in 1987 and 1988 exports and business investment provided a major boost for economic growth. In 1989, however, further progress in cutting the trade deficit will depend on a decline in import growth along with weaker consumption growth and so the net impact of the improving trade balance will give a much smaller boost to GNP.

Mr David Morrison, chief international economist at Goldman Sachs in London, believes that the risk of a significant slowdown in the second half of the year is quite high and that any further tightening will be modest, perhaps taking Fed Funds to a peak of 9¼-9½ per cent.

While the Fed has to be sensitive to any signs of vulnerability in the economy, there are compelling reasons for erring on the side of tightness in monetary policy now.

First, the Fed can afford to "overdo" its attack on inflation in the first year of the new Administration because it can always move into an expansionary posture later.

Second, the Fed has much more scope to attack inflation now while the economy is still growing fast than later in the economic cycle. The risk is that, if it does not do enough now, it would not be able to tighten policy in reaction to higher inflation when the economy has started to decelerate.

Third, the Fed can use the threat of a severe – and politically unpopular – monetary squeeze as a source of pressure on the Administration to put together a credible budget deficit reduction package.

As a Conservative Keynesian – as Mr Levy describes him – Mr Greenspan sees a relationship between deficit reduction, a tightening of fiscal policy and scope for easing monetary policy.

The hattle lines already drawn between a growth-obsessed Administration and an inflation-obsessed Fed may of course owe more to rhetoric than substance.

Mr Robert Brusca, chief economist at Nikko Securities in New York, comments that the Administration can afford to suffer a temporary period of high rates in the early stages of its four-year term.

"The Fed tightening provides a convenient excuse for tha Administration to shift the blame to the central bank and remove the focus from its own battle on the deficit with a Democratic Congress," he said. "The Fed serves as a great whipping boy."

Salinas appears winner in union showdown

By Richard Johns in Mexico City

PRESIDENT Carlos Salinas de Gortari of Mexico appeared yesterday to be emerging as the winner in a showdown with the oil workers' union, which has the power to strangle the country's economy.

Arrests of prominent members of the union continued yesterday, bringing the total to 41 since the surprise seizure of their leader, Mr Joaquin Hernandez Galicia, following a gun battle at his home on Tuesday.

The Government also pulled off a propaganda coup on Wednesday by producing Mr Hernandez at a press conference, along with a large cache of weapons which had been allegedly found in his house near Tampico where he was seized. This included 200 Israeli Uzi machine guns and 30,000 rounds of ammunition.

The authorities said Mr Hernandez, known as "La Quina", had confessed to the Federal Judicial Agency that he had stockpiled tha weapons "to defend my union members with the purpose of protecting the country".

His appearance in front of the armaments, a scene organised by the Attorney General's office, could do much to defuse the anger and frustration of the trade union movement as a whole and, in particular, the Confederation of Mexican Workers, to which the 120,000-strong Union of Oil Workers of the Mexican Republic (STPRM) is affiliated.

The arrests have deprived the STPRM of its top leadership, weakening the union's chances in a prolonged confrontation, notwithstanding its great wealth.

La Quina faces a wide range of charges including qualified homicide and other unspecified murders, storage and importation of weapons, resisting arrest and fraud.

Yesterday the situation at the country's oil installations remained confused following the instruction from Mr Salvador Baragan Camacho, secretary-general of the STPRM, to return to work.

EUROPEAN NEWS

VW and Fiat take the chequered flag together

In the race to be top car seller the Italians may have been pipped at the post, writes Kevin Done

"IF THIS was an election, they would demand a recount," said one car company executive yesterday, as it became clear that there was only the barest margin separating Volkswagen and Fiat at the end of a fierce 12-month battle for leadership of the West European car market.

Preliminary European industry estimates made available to the Financial Times indicate that, with a dramatic last-ditch effort, Volkswagen has caught Fiat at the line and has managed to preserve its position, first established in 1985, as the best-selling car-maker in Europe.

It is a photo-finish, however, and given the delay inherent in some European countries in producing statistics, it could be early summer before the final picture can be developed.

The car-makers can produce their own estimates quickly, but in 1988 the final stages of the race have been so close that not even Volkswagen and Fiat, the two main protagonists, have yet felt able to stake an official claim to victory.

Tha two groups are separated by the barest margin of a couple of thousand cars in a market spread across 17 countries. Sales have surged to within an ace of 13m cars in 1988, a level that no one in the industry would have dared to predict even a year ago.

The European car industry has been enjoying an unprecedented boom, with record sales achieved for four successive years. Most car-makers are forecasting that the market will fall back slightly from this exalted peak during 1989, but at worst they expect a soft landing with a weakening of sales in the range of only 3-5 per cent.

Certainly the market showed no signs of slackening in December, with sales jumping by a further 6.2 per cent above the level a year earlier to around 938,000 units. VW and Fiat's final big sales push has probably distorted the picture, however, and possibly overstated the underlying strength of the market.

For the whole of 1988 preliminary industry estimates suggest that the West European market grew by 4.6 per cent to 12.999m units from 12.4m units in 1987. All-time highs were achieved in several individual markets including the British and Italian.

Portugal has emerged as the fastest growing single market with a jump in sales of 28.4 per cent, while sales in Italy passed the 2m mark and sales in Spain exceeded 1m units for the first time.

Of 17 European markets only four – West Germany, Denmark, Norway and the Netherlands – moved against the tide, with sales declining. Norway showed the steepest fall, new car sales plunging by 41.2 per cent.

Sales in West Germany, Europe's biggest single market, fell hy an estimated 3.8 per cent to 2.804m units, a development in stark contrast to the other main volume markets.

Sales in France rose by an estimated 5.3 per cent to 2.218m units, while UK car sales jumped by 10 per cent to 2.216m. In Italy new car registrations rose by 10.5 per cent to 2.184m, while Spain continued its explosive growth with a jump of 14.4 per cent to 1.059m.

VW and Fiat have pulled away from the rest of the pack of the "big six" volume car-makers in Europe in the past couple of years thanks to acquisitions that have added crucial sales volumes.

Volkswagen bought a majority holding in SEAT, Spain's leading car producer, in 1986, while Fiat completed its takeover of virtually the whole of the Italian vehicle industry by outmanoeuvring Ford to acquire Alfa Romeo.

The year has ended in a photo-finish and, given the delay in the production of statistics by some European countries, it could be early summer before the final picture can be developed

There is now a European sales gap of almost five percentage points between the market leaders VW and Fiat, at just below 15 per cent each, and Renault, the French state-owned car-maker, once the European market leader, hut now the weakest of the "big six" volume manufacturers at just over 10 per cent. The erosion of Renault's position could well explain the urgency of its current search for strategic links with non-European motor groups in Japan and Sonth Korea.

The industry sales estimates suggest that the VW and Fiat groups – VW includes Audi and SEAT and Fiat includes Lancia, Alfa Romeo and Ferrari – are separated by a margin as narrow as 1,500-3,000 cars or as little as 0.01 per cent of the 13m-strong market. If the final market shares show a difference of 14.9 per cent for VW and 14.8 per cent for Fiat, it will only be a result of the rounding of the tiniest differences after the decimal point. The actual shares could be as close as 14.856 per cent for VW and 14.847 per cent for Fiat.

Fiat had the highest cumulative sales for 11 of the past 12 months, although VW closed the gap impressively in the final quarter, and a sense of frustration would be understandable in Turin that the final accolade had been missed by such a narrow margin. Fiat has staged a dramatic recovery through the 1980s emerging from the crisis years at the beginning of the decade as Europe's most profitable car-maker.

Its strength is still hugely dependent on controlling a massive share of its domestic market – it captured fully 59.9 per cent of Italian car sales last year – hut it is actively seeking to develop new products that can eppeal to northern European tastes as well as to the Mediterranean car markets and its efforts have just been crowned by the award of the 1989 Car of the Year title for its Fiat Tipo small family car, launched last year.

The Tipo is already the number two seller in Italy and it is the car Fiat has developed to mount a head-on challenge to Volkswagen's all-conquering Golf, still Europe's best-selling car, and the mainstay of the West German group's European sales.

The further advance of the Tipo in markets outside Italy could well be enough to tip the sales scales finally in Fiat's favour this year. Fiat is also being supported hy the recovery of the Alfa Romeo marque, albeit from a small base, and Alfa sales in Europe rose last year hy an estimated 14 per cent compared with an increase of just more than 9 per cent for the Fiat marque itself.

Over the next three years the Fiat group also has a plethora of new generation models to unveil under the Lancia, Alfa and Fiat names based on the Tipo Type 2 floorpan (chassis platform) and the related Type 3 platform. The process starts later this year with the Lancia Dedra saloon, an eventual replacement for the Lancia Prisma, a new challenger in the Opel Vectra, Ford Sierra, Audi 80, VW Passat class of upper-medium-sized cars.

Ironically the architect of the turnround in the fortunes of Fiat's car operations, Mr Vittorio Ghidella, a dedicated and highly respected automotive engineer, was ousted late last year in an internal Fiat power hattle, and it remains to be seen if the victor, Mr Cesare Romiti, a financial executive by background, can repeat Mr Ghidella's success in the 1990s.

The VW group's sales have been helped by its unexpected success in so quickly turning round the fortunes of its SEAT acquisition, whose European sales jumped hy around 12.7 per cent last year compared with an increase of less than 2 per cent in sales of the VW marque.

VW itself launched a new Passat upper-medium saloon and estate car range and Corrado sports coupe in 1988, as well as a new Audi Coupe and an Audi V8 luxury car challenger, but there is now expected to be a small hiatus in the new model programme before replacement Polo and Golf models arrive in the early 1990s.

Behind VW and Fiat it is the French Peugeot group – which includes Citroen – that is most determinedly giving chase to the leaders. Peugeot produced the best performance of all the volume car-makers in Europe last year, with an estimated 13 per cent jump in sales volumes to 1.67m units, despite a heavy setback in the West German market. Group sales there fell by about 12 per cent in the face of plunging diesel sales and the lack of early availability of catalyst-equipped low pollution cars.

Peugeot has been enjoying a strong model-led recovery with the success of its Peugeot 205 and Citroen AX supermini cars and the Peugeot 405 (Car of the Year in 1988) and Citroen BX upper-medium cars, and this year it begins a new assault on the European execntive car market with the launch of the Citroen XM and Peugeot 605 top-of-the-range cars.

In 1987 it pushed Ford down into fourth place in the European sales league and last year raised its market share to 12.9 per cent from 12.1 per cent a year earlier. It is planning to increase capacity hy some 20 per cent by the early 1990s and Mr Jacques Calvet, Peugeot chairman, has made no secret of his ambition to secure market leadership by 1992.

The weakest sales performance came from Ford last year, which was hit by a two-week strike at its UK plants in February and suffered a 1.2 per cent fall in European sales volumes. It is due to launch a new generation Ford Fiesta supermini challenger this spring.

The biggest progress among the specialist car-makers was achieved hy BMW of West Germany. Supported by the success of its new generation 7 and 5 series models it has temporarily eclipsed Mercedes-Benz in presenting a fresh face to the European luxury car market and increased its European sales volumes by fully 20 per cent last year to around 355,000 units.

At the same time Volvo of Sweden, also strike-bound in early 1988, was one of the few European car makers to suffer falling sales in last year's booming market with a drop of close to one per cent to an estimated 265,000 units.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-December 1988

	Volume (Units)	Volume Change(%)	Share (%) Jan-Dec 88	Share (%) Jan-Dec 87
TOTAL MARKET	12,999,000	+4.6	100.0	100.0
MANUFACTURERS:				
Volkswagen (incl. Audi and Seat)	1,930,000	+3.9	14.9	15.0
Fiat (incl. Lancia & Alfa Romeo)	1,929,000	+9.5	14.8	14.2
Peugeot (including Citroen)	1,672,000	+11.2	12.9	12.1
Ford	1,468,000	-1.2	11.3	12.0
General Motors (Opel, Vauxhall)	1,360,000	+3.3	10.5	10.6
Renault	1,325,000	+0.3	10.2	10.6
Austin Rover	448,000	+7.5	3.5	3.4
Mercedes-Benz	445,000	+2.3	3.4	3.5
Nissan	378,000	+3.9	2.9	2.9
BMW	355,000	+19.9	2.7	2.4
Toyota	349,000	-0.3	2.7	2.8
Volvo	265,000	-0.8	2.0	2.2
Total Japanese	1,446,000	+3.0	11.1	11.3
MARKETS:				
West Germany	2,804,000	-3.8	21.8	23.5
France	2,216,000	+5.3	17.1	16.9
United Kingdom	2,218,000	+10.0	17.1	16.2
Italy	2,184,000	+10.5	16.8	15.9
Spain	1,058,611	+14.4	6.1	7.5

Source : Industry estimates

Czechoslovakia's central planning system drives Skoda into trouble

SKODA, a symbol of traditional Czechoslovak engineering and car-making skills, has become a costly national embarrassment.

It was among the 38 enterprises which the State Bank this week described as technically insolvent and therefore in need of restructuring, writes Leslie Colitt, recently in Prague.

Founded in 1859, Skoda is suffering from advanced industrial sclerosis: economists in Prague say it is only able to maintain its unprofitable output with large state subsidies. The new Prime Minister, Mr *Ladislav Adamec*, recently criticised production of Skoda's new car model as an "example not to be followed".

Czechoslovakia's rigid central planning system, which is being modified only gradually, is blamed for making the once-flourishing Czechoslovak industry virtually non-competitive in the West.

Skoda's problems reflect politically-inspired decisions in the 1970s which led to ruinous delays in prodncing a new car model.

In 1975, after the collapse of a co-operation agreement with East Germany, the Czechoslovak Government decided that Skoda would at last replace its ageing model with a new range.

Four years later, the prototypes of a series of new front-wheel-drive Skoda models were ready, with engines of up to 1600cc. But the company was than told that the Government had agreed with Moscow not to produce car engines of more than 1200cc. Moscow did not want a low-price Comecon competitor in the West for its Lada.

An interim model was introduced by Skoda while the planned front-wheel-drive car was redesigned around a smaller 1350cc engine. Production of that model did not begin until late last year after the expiry of the deal with Moscow.

Skoda was also running into technical problems. The authorities had neglected to develop new components plants, a deficiency which was discovered too late, forcing the company to import Western parts for its latest model, the Favorit.

The foreign components made the Favorit too expensive for large-scale production. More than a year after a "test series" of the car was introduced, only 250 Favorits a day are being produced, while nearly 500 of the old model Skoda 120s continue to come off the assembly line.

Mr Miroslav Pavel, the government spokesman, blamed Skoda's management for the problems and said earlier plans to expand output from 180,000 cars to 400,000 a year were no longer valid.

"Personally, I believe we should not even prodnce cars, only trucks," he said recently, reflecting the view that the country was too small for an independent car industry.

By now the Favorit model was to have become a hig hard currency earner in the West. But production delays have meant that hard currency outlays for licences to produce Western components will not be recooped for years.

Some Czechoslovaks predict that the Favorit will be dated hy the time it goes on sale in the West and will not fetch a high enough price to cover the large investment.

Meanwhile, a severe shortage of new cars has developed in Czechoslovakia. Although buyers grumble about the price of the Favorit – 84,000 koruna (£5,250) compared with 65,000 korune for the old model – long queues developed outside the factory salespoint at Mlada Boleslav, north of Prague.

A nearby camp ground quickly filled with Czechoslovaks who put their names on a waiting list for the new Skoda. If only one member of a family wanted to buy a car he would engage two other relatives to enter their names on the list.

Frequently, both of them would be approached by outsiders offering them 10,000 koruna each for their places in the queue. This perfectly legal transaction reduced the price of the car for the family member by 20,000 koruna.

As if Skoda's car problems were not enough, Czechoslovakia, at Moscow's request, invested heavily in the 1970s to create a nuclear reactor division of Skoda. This turned out to be a loss-making venture: after the Chernobyl disaster, East European countries cut their nuclear power programmes.

The Government, to keep up output and maintain employment, is pouring enormous subsidies into Skoda. But in doing so it is merely prolonging an inevitable day of reckoning.

● In the UK Skoda now claims around 0.71 per cent of the new car market, with registrations of 15,798 cars in 1988. This was the third successive annual increase, albeit achieved against the background of a generally booming British new car market, writes Kevin Done.

According to Mr Peter Titterton, UK car sales director, Skoda sales have risen by 10.5 per cent a year since 1985. He claims that "budget-conscious motorists bave long recognised the value of money inherent in all our cars".

Israeli jets bomb Abu Nidal bases in S Lebanon

By Andrew Whitley in Jerusalem

ISRAELI aircraft yesterday bombed bases in southern Lebanon belonging to the Abn Nidal terrorist organisation for the second day in a row.

As explanation for Israel's action, officials in Jerusalem said that Abu Nidal – better known for his involvement in terrorist bombings and assassinations – had been taking advantage of a lull in activity against Israel by Palestine Liberation Organisation leader Mr Yassir Arafat's Fatah group, to build up his potential to carry out cross-border raids.

"This is an opportune time for him to increase his activity, embarrass Arafat and gain credit with other Palestinians," said a military analyst.

Lieutenant-General Dan Shomron, the chief of staff, noted this week that military hostilities by Fatah loyalists had fallen sharply since the PLO leader publicly renounced terrorism in November.

In line with standard Israeli military doctrine, the purpose of the past two days' air raids on the Abn Nidal bases north-east of the port of Sidon was said to be preventive. "The rule of the game is to strike at a time of your own choosing and keep the other side off balance," explained the senior officer. "It's not a cure."

The Fatah Revolutionary Council, as Abu Nidal's radical group calls itself, opposes the current peace initiative of the PLO.

A few miles away from the air raids, what one senior Israeli officer described as a "life and death" struggle between two rival Lebanese Shi'a militias went into its 13th day.

The hand-to-hand combat between Amal and Hizbollah fighters has claimed at least 80 lives since Saturday. Israel, which favours the more moderate, Syrian-backed Amal militia, is keeping a close watch on the fighting, the culmination of a two-year contest for dominance in the south. A victory by the pro-Iranian Hizbollah forces could provoke Mr Yitzhak Rabin, the Defence Minister, to intervene militarily.

The hilltop town of Jnba, held by Hizbollah fighters reinforced overnight from their main bases in the Bekaa Valley, was the focal point of the intercommunal battle yesterday.

Artillery and machine gun fire repeatedly rocked the small town – not far from the Jezzin stronghold held jointly by Israel and the South Lebanon Army – as the Amal gunmen attempted to dislodge their rivals.

Although Amal has gained the upper hand, Israeli observers felt yesterday that the better trained Hizbollah forces were unlikely to be easily vanquished. Last Friday, Israeli troops intercepted and killed eight Hizbollah members on their way to join the fight.

Striking Hyundai workers stage a protest rally

Hyundai to close shipyard

By Maggie Ford in Seoul

HYUNDAI Heavy Industries, the South Korean shipbuilder, is to shut its yard indefinitely following renewed strikes over violent attacks on organisers of the company's trade union.

A police investigation into the violence, in which 20 union activists were attacked last weekend by men wielding clubs and steel pipes, widened yesterday to include members of the company's founding family. The Opposition Reunification Democratic Party, led by Mr Kim Young Sam, said yesterday that a party investigation suggested that, along with top members of the Hyundai group, police and intelligence officials were involved in the violence.

Mr Chung Mong Jun, son of the founder of Hyundai and chairman of the shipbuilding subsidiary, is reported to have told the parliamentarians that his father directed managers to end the strike before his return from a business trip to Moscow today.

Police investigators are looking into the status of around 60 Hyundai workers who are suspected of being professional gangsters, hired to put down strikes. Nine suspected workers have already been arrested along with a senior manager. Initial investigations show that a company-wide anti-strike planning group may exist.

Workers at the yard claim that in four separate incidents in the past 18 months management organisers, sometimes helped by police, have cracked down on peaceful union activities, persecuting labour leaders and sometimes injuring workers.

The Opposition group is to reveal the results of its investigation at a National Assembly labour committee hearing today. Parliamentarians are expected soon to start revising the South Korean labour laws which were framed before democratisation was introduced last year.

The violence at Hyundai follows an incident last year in which senior managers were convicted of kidnapping a trade union organiser at its construction company. The revelation of high-level involvement in the shipyard violence is likely to result in a second bout of severe embarrassment for the group.

● Hyundai's Mipo dockyard ship repair company has won a $18m contract to repair Soviet vessels, the company announced. At the same time the Jindo fur company is reported to have started to import pelts directly from the Soviet Union rathsr than through a US intermediary.

Botha urged by Cabinet to hold early general election

By Anthony Robinson in Johannesburg

SEVERAL Cabinet ministers are urging President P. W. Botha of South Africa to call an early general election this year to take advantage of political disarray on the left and right of the Government and the successful conclusion of the Angolan peace negotiations.

The Angolan settlement should lead to the exit both of Cuban soldiers and African National Congress (ANC) guerrillas from Angola and independence for Namibia by the end of this year.

The Government is obliged by the 1984 constitution to hold elections by April 1990 at the latest unless it can gain the consent of the majority in all three houses of the racially segregated tri-camaral parliament for an extension to the five-year parliamentary term.

At its recent conference in Bloemfontein the "coloured" Labour Party led by the Rev Allan Hendrickse refused to agree to such a constitutional amendment unless the Government agreed to scrap the Separate Amenities, Group Areas Act and other cornerstona apartheid laws.

Until recently the Government looked askance at early elections in view of the rising tide of support for the right-wing Conservative Party backed hy the para-military Afrikansr resistance movement (AWB) led by Mr Eugene Terre'blanche. But since the municipal elections on October 7 the white right has suffered two blows to its prestige.

Newly CP-controlled towns such as Boksburg which tried to re-introduce "petty apartheid" with "whites only" signs and a blitz by municipal policemen on blacks using public facilities such as parks and toilets have been faced with damaging black consumer boycotts. These have raised a question mark over the ability of the CP to honour its pledge to restore white supremacy through a return to classic apartheid.

At the same time the AWB, whose swastika-style emblems and Nazi-style uniforms once inspired fear, has now become an object of public ridicule following a row over the alleged heavy drinking and amorous private life of its leader.

Fortuitously for the ruling National Party the splits and divisions on the right have taken place just as a new attempt hy big business to forge a united "liberal" opposition has exposed the depth of personal rivalries and ideological divisions on the left of the Government.

After weeks of discussions, leaders of the Independent Party, led by former ambassador Denis Worrall, the National Democratic Movement, led by dissident Afrikaner Wynand Malan, and the Progressive Federal Party (PFP), led by ex-Anglo American Corporation executive Zac de Beer, met again yesterday to thrash out a joint programme while agreeing to postpone a decision on the eventual leadership of the proposed New Democratic Party.

Given the weak position of its opponents and the opportunity of cashing in on "peace with honour" the temptation to go for an early election without waiting for an unpredictable redistribution of seats to accommodate recent population shifts looks increasingly attractive, some party leaders argue. April or late September seem the most likely dates.

● THE World Council of Churches (WCC) has formed a group of prominent clergymen to campaign for economic sanctions against South Africa, said Mr Canaan Banana, former Zimbabwean President, yesterday, Reuter reports from Harare.

He said that the Eminent Church Persons Group would work to pressure Pretoria to dismantle apartheid. The group will start a tour of Switzerland, Britain, the US, West Germany, France and Japan on Friday, Mr Banana said.

He said that the six countries were chosen because of their strong economic ties with South Africa.

● Sonth African Police said yesterday that they had shot dead two black men from a group that fired on a patrol, and three limpet mines exploded in a tribal homeland area, injuring a policeman.

Bhutto calls for political solution to conflict in Afghanistan

MS Benazir Bhutto, Pakistan's Prime Minister, said yesterday that her country wanted a political rather than a military settlement in neighbouring Afghanistan, Reuter reports from Islamabad.

But, she said on her return from a historic religious trip to Saudi Arabia, the final decision about the form of a settlement of the 10-year-old war lay with the Afghan people.

Pakistan-based Afghan rebels have cut off talks with Moscow on a future broad-based government in Afghanistan and vowed to fight on until Moscow withdraws its troops and President Najibullah's People's Democratic Party (PDPA) falls.

"Pakistan thinks it will be very good if a political rather than a military solution is found," Ms Bhutto said.

She said that she expected Moscow to complete the withdrawal of its troops in Afghanistan by the February 15 deadline set in UN-mediated accords signed in Geneva last year. "We think they [Moscow] would follow the withdrawal accord," she said. "The greater a country is, the more it is necessary for it to honour an agreement."

Mr Yuli Vorontsov, the Soviet First Deputy Foreign Minister, said yesterday that circumstances in Afghanistan might force Moscow to keep the troops there beyond the deadline.

Mr Sibghatullah Mojaddidi, the guerrilla alliance leader, dismissed that as another threat and said that the rebels would fight on.

Ms Bhutto said that she discussed Afghanistan as well as the Gulf and Lebanon with King Fahd of Saudi Arabia, a major backer of the Afghan rebels.

Mr Sahabzada Yaqub Khan, Pakistan's Foreign Minister, who accompanied Ms Bhutto st the talks on Tuesday in the eastern city of Dammam, said that the monarch showed "deep . . . and abiding interest" in Afghanistan.

"There was a strong commitment of support for the Mujahideen," he said.

Ms Bhutto's three-day trip, her first since taking office last month as the first woman prime minister of a Moslem nation, was for the pilgrimage of "Umra" to Islam's holiest shrine at Mecca.

Her party included more than 60 political activists who had been jailed or flogged or had their relations hanged during Pakistan's previous military-led government.

She said that King Fahd has accepted an invitation she extended to him to visit Pakistan. No date was set.

Debt-ridden transport system faces stern test

By Our Jerusalem Correspondent

ISRAEL'S public transport system – a nationwide co-operative – looks set to be the latest domino to fall in the crumbling economic empire controlled by the Histadrut Labour Federation.

In a surprise announcement, the Egged bns company revealed on Tuesday that it had accumulated debts equivalent to $170m, which it was unable to repay. Half its debts are made up of unpaid income tax, with the balance owed to local banks.

An affiliate of Hevrat Ha'Ovdim, the Histadrut's business arm, Egged claims to be the third-largest bus transportation company in the Western world – after London Transport and Greyhound of the US.

Its slump into the red follows a slippery road already taken by Koor Industries and Solel Boneh, Israel's leading construction company, two of the largest units within Hevrat Ha'Ovdim. Despite a drastic slimming down, Solel Boneh is still on the hrink of bankruptcy, while Koor faces compulsory liquidation at the hands of its creditors.

In the past, Egged could have relied on its political clout with the Labour Party to ensure a bale-out by the Treasury. But the climate between government and industry has lately been transformed, confronting the unhappy bus owner-operators with a grim-faced Mr Shimon Peres, who happens to be both Finance Minister and Labour's leader.

Peres: grim-faced

In response to their appeals for government help, the Treasury is demanding a hefty, 30 per cent cut in Egged members' salaries, together with reductions in pension benefits.

This was swiftly rejected by the co-operative, which claims to have reduced its own payroll by some 20 per cent over the past three years.

The heart of the dispute, though, is over the Government's policy towards public transportation at a time of rising affluence for most Israelis.

According to the company, the number of passenger miles travelled dropped last year by between 20 and 25 per cent. Part of the blame for the decline is put on changing consumer habits and part on the intifada, the Palestinian uprising.

Buses are regularly attacked with stones and molotov cocktails, causing damage and revenue losses estimated at about $13m.

Zaire sends Amin back into exile

Zaire yesterday sent the deposed Ugandan dictator Idi Amin back into exile in Saudi Arabia, Reuter reports from Kinshasa.

Amin was arrested in Kinshasa last week after trying to slip back into Africa under a false name.

Amin and his son were put on a Zairean government plane to Dakar in Senegal to catch a scheduled Saudia Airlines flight to Jeddah, a government official said at Kinshasa airport. Reporters were not allowed to speak to Amin, who walked stern-faced to the Falcon 50 aircraft of the state mining company Gercamines for the 5-1/2 hour flight to Dakar.

"We do not want to give him a platform," a Zairean official said.

Amin, a former army boxing champion who became one of Africa's most ruthless dictators, ruled Uganda for eight years until he was toppled by Ugandan exiles and Tanzanian troops in 1979.

Nicknamed "Big Daddy", he was portrayed as a butcher and buffoon by the international media.

A Moslem, he fled to Libya and then Saudi Arabia where he lived quietly on a government stipend with some of his many wives and children.

He arrived in Zaire with one son on January 3 carrying a stolen Zairean passport, the official said.

Unita turns down offer of amnesty

Angolan rebels yesterday rejected a call to lay down their arms and accept a government offer of clemency, AP reports from Lisbon.

Mr Alcides Sakala, head of the Lisbon delegation of the Portuguese branch of Unita said that peace was possible only if the government of President Jose Eduardo dos Santos agreed to negotiate with them.

The President made his clemency offer yesterday as the first contingents of Cuban troops left Angola under an agreement signed in December by Angola, Cuba and South Africa. Cuban forces have been in Angola since 1975.

N Korea rejects Tokyo talks

North Korea has rejected what it called a recent series of Japanese proposals for government-level contacts and dialogue to improve relations between the two countries, Pyongyang's official media reported yesterday.

The Korean Central News Agency, monitored in Tokyo, said the North Korean Foreign Ministry declared in a statement Wednesday that "under such an abnormal situation as at present, we cannot meet the Japanese side at government level, and no problem will be settled even if we meet."

Tokyo minister defends Hirohito's war record

By Our Foreign Staff

MR SOSUKE Uno, the Japanese Foreign Minister, defended the late Emperor Hirohito in London yesterday against war crime allegations, saying the Emperor decided on Japan's surrender in the Second World War despite opposition from advisers.

The death last Saturday of the world's longest-ruling monarch at the age of 87 sparked off new controversy over his role in the war and fresh allegations that he was guilty of war crimes.

"It is the view generally accepted in Japan that his great majesty took the initiative and decided on his own to end the war," Mr Uno told a news conference during a visit to London.

"This explanation may give rise to the question why he did not prevent war being started," he said.

"However, it was established constitutional practice that the Emperor performed the affairs of state by the advice and assistance of the ministers, and I understand that he never rejected the decision recommended to him by those advisers."

However, Mr Uno said that Hirohito personally decided to surrender in 1945 even though some of his advisers insisted Japan should carry on fighting.

Mr Uno said the question of responsibility for the war had been settled by the San Francisco peace treaty signed by Japan in 1951.

"We believe this treaty has the significance of Japan expressing self-criticism and extending apologies to the allied powers," he said. "I think the question of war responsibility has been settled in this manner."

However, a television documentary soon to be broadcast in Britain by the BBC challenges Hirohito's image as a peaceful man. The documentary alleges that Japan's wartime prime minister, General Hideki Tojo, was pressured into changing testimony at his trial to avoid incriminating Emperor Hirohito in war crimes.

Among other things the documentary's maker, Mr Edward Behr, says that Hirohito must have known about the massacre of at least 20,000 Chinese at Nanking in 1937 because he receivsd regular detailed reports from the China front; and that he knew more than a month in advance of Japanese plans to attack the US navy at Pearl Harbor on December 7 1941.

Arab office adds 25 companies to boycott list

THE Arab Boycott Bureau said yesterday that it was imposing a total boycott on 25 foreign companies for dealing with Israel but had lifted bans on 18 other firms for having halted trade with Israel, Reuter reports from Damascus.

The latter included Egypt's Export and Import Representation Office and Suez Canal Bank, the American Konica Camera Corporation and the Japan's NTT. Companies added to the list included the Cypriot Diamond House and the Greek tourist company Atlantic.

Angola calls for US ties

ANGOLA'S President Jose Eduardo dos Santos said yesterday that the war against US-backed Unita rebels should not prevent the two countries from setting up diplomatic relations, Reuter reports from Lisbon.

"Unita should not be a factor influencing the establishment of relations between the United States and Angola. The problem of Unita is exclusively Angolan," Mr dos Santos said, according to the official Angolan news agency Angop.

Mr dos Santos was speaking to American journalists in Luanda two days after the first contingent of Cuban troops left Angola under a US-brokered peace arrangement, said Angop, monitored in Lisbon.

The Angolan leader repeated Luanda's wish to establish formal relations with Washington but did not specify if American support for Unita must first cease. "If the United States talks to other countries which do not have the same political system, why don't they talk to us?" said Mr dos Santos.

Washington has snpported the National Union for the Total Independence of Angola (Unita) in its fight against the Marxist government since just after independence from Portugal in 1975.

Fresh setback for Gandhi with loss of party member

By K K Sharma in New Delhi

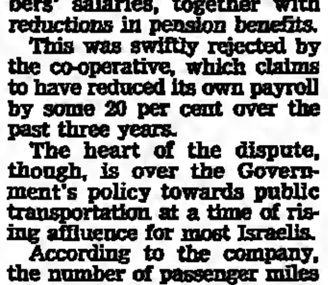
MR Rajiv Gandhi, India's Prime Minister, suffered another setback yesterday when a senior member of parliament from the ruling Congress-I Party, Mr Rajmangal Pandey, resigned his seat and quit the party organisation on the grounds that things had "gone beyond redemption".

Referring to some of the corruption scandals that have surfaced in the last couple of years, Mr Pandey said yesterday that "no self-respecting Congress man could tolerate the state of affairs within the party".

"We have lost our moorings with regard to principled politics and the result is that Congress men have lost credibility. The numerous scandals, not fully repudiated, have further added to loss of credibility," he said.

Mr Gandhi's four-fifth's majority in the Lok Sabha (lower house of parliament) is not affected by Mr Pandey's resignation and there is no immediate danger to his position. But it brings to the surface once again what Mr Gandhi's opponents claim is the widespread discontent against the Prime Minister within the Congress-I parliamentary party.

Mr Pandey belongs to the key northern state of Uttar Pradesh in the vital Hindi heartland where Congress-I is said to have suffered loss of



Gandhi: thorny ride

support. His resignation comes less than a year before elections for a new parliament are due.

Mr Pandey's resignation was announced in the presence of Mr V P Singh, president of the newly-formed Janata Dal (People's Party), who will be Mr Gandhi's main opponent in the election. Mr Singh was expelled from Congress-I about two years ago when, as Defence Minister, he ordered investigations into charges of payoffs in defence deals which have rocked the Government since then.

Mr Pandey came into the limelight last year when he and nine other Congress-I members of parliament wrote to Mr Gandhi expressing dissatisfaction over the functioning of the Government and the party.

Oil groups trapped by US-Gadaffi clash

Andrew Gowers on the $4bn predicament of American oilmen with a stake in Libya

ALMOST exactly three years after President Ronald Reagan ordered the severance of all US economic and commercial ties with Libya, political uncertainties are again clouding the future of American oil companies' activities in the country.

On the one hand, the Libyan authorities appear to be signalling that they would like US companies – whose assets in Libya were frozen in 1986 after Mr Reagan imposed his sanctions – to return. Libya's National Oil Corporation has enjoyed a productive relationship with the American oil independents in the past, and their technology and expertise would clearly provide a welcome boost for the NOC's ambitious exploration and development programmes in the increasingly competitive international oil market.

A desire to lure the companies back almost certainly underlies the repeated hints dropped by Colonel Muammer Gadaffi, the Libyan leader, in recent weeks that be wants better relations with President-elect George Bush.

On the other hand, the outgoing US Administration seems adamant that nothing should be done to make things any easier for Col Gadaffi. Less than two weeks ago, Mr Reagan renewed sanctions for another six months. The clash last week over the Mediterranean between US and Libyan jets and the American allegations that Libya has built a chemical weapons plant have kept tension between the two countries high.

The Libyans have been careful not to spell out what they might do when the agreement expires. But the implication is clear: unless the oil companies are allowed to resume operations in Libya under conditions similar to those which pertained before 1986, Col Gadaffi might feel constrained to nationalise their assets in the country

Not for the first time, the five main independent American oil companies involved in Libya – Marathon, Conoco, W.R. Grace, Occidental and Amerada Hess – are caught in the middle.

Substantial amounts of money are at stake. The companies themselves are wary of discussing figures, but according to one industry representative in Tripoli, US company assets, including their share of recoverable oil, in Libya could total as much as $4bn.

The American companies are estimated to be foregoing up to $120m a year in revenue from the exploitation of Libyan oil, and US suppliers of oil industry equipment have been largely cut out of a market previously worth $300m a year to them.

Their interest in returning has been fuelled by Libya's recent launching of new exploration and production sharing regulations that are significantly more attractive than previous guidelines.

On this occasion, however, the problem has taken on additional urgency as a result of the imminent expiry of the "standstill" agreement under which the US companies' assets in Libya were originally frozen – but not nationalised.

In the weeks preceding the shooting down of the Libyan jets, senior Libyan officials held a series of meetings with several of the companies in a variety of locations including Vienna, Malta, London and Tunis.

According to oil industry observers in the Libyan capital and elsewhere, the message from Col Gadaffi's emissaries was twofold: he would like to help create the circumstances under which the companies might return; but that if sanctions persisted, there could be no question of renewing the 1986 standstill agreement.

The Libyans have been careful not to spell out what they might do when the agreement expires. But the implication is clear: unless the oil companies are allowed to resume operations in Libya under conditions similar to those which pertained before 1986, Col Gadaffi might feel constrained to nationalise their assets in the country, causing them substantial losses in the process.

A Western official in Tripoli who is familiar with the discussions said there was a fear among US companies that the problems they faced in Libya would be "like the old story of the sugar cane industry in Cuba", where US assets were seized amid continuing hostility between Washington and Havana.

Aware that this issue was looming, the US oil independents had in fact spent much of last year lobbying Washington on the sanctions issue in the hope that a new administration might be encouraged by conciliatory noises from Col Gadaffi to ease the pressure somewhat. By December, according to one informed observer, they had received encouraging assurances that "something would be done" to protect their interests in Libya.

Then came the Lockerbie air disaster, resurrecting the spectre of international terrorism and suspicions of Libyan involvement, the high-profile American campaign against Libya's alleged chemical weapons plant, and of course the dogfight over the Mediterranean. These events have conspired to shatter the oil companies' hopes of a resolution of their problems soon.

It may be that Libya, whose pragmatism in commercial matters belies its fearsome political reputation, is simply trying to use the expiry of the standstill agreement as a pressure point on Washington, and that it will do nothing when the agreement expires.

Washington does have some leverage over Libya, in the form of a substantial sum of Libyan assets frozen in the US. The American administration is also anxious that Col Gadaffi should not obtain the windfall that nationalising the companies' assets would undoubtedly bring him. But there is little that the oil companies themselves can do until political tensions subside.

"The companies are caught between a rock and a hard place," said one industry observer. "They are in a waiting mode."

UK NEWS

Fight against inflation the priority, says Thatcher

By Philip Stephens, Political Editor

MRS MARGARET Thatcher, the Prime Minister, signalled yesterday that the fight against inflation would take precedence over a stable pound as the Treasury acknowledged that recorded inflation will soon reach 7 per cent.

Mrs Thatcher told the House of Commons that the Government's priority remained to curb the rate of price increases.

Pressed by Mr Neil Kinnock, opposition Labour Party leader, over her attitude to sterling's recent sharp rise she replied: "You cannot in fact have two priorities and the priority is getting inflation down."

Her comments preceded a confident assessment of Britain's economic outlook by Mr Nigel Lawson, the Chancellor of the Exchequer, in the Commons debate on last November's Autumn Statement of spending plans.

Mr Lawson, who set the date of the budget for March 14, insisted that the fundmental strength of the economy meant that the recent upsurge in inflation would be containable.

He acknowledged that rises in mortgage rates would add about 0.5 percentage points to the recorded inflation rate in December when the retail price index (RPI) for that month is published next week.

Assuming no dramatic changes in other prices, that would point to an annual inflation rate in December of about 7 per cent. That would suggest that the further rises in mortgage rates announced earlier this month are likely to push up the rate to around 7.5 per cent or above in coming months.

Mr Lawson, however, insisted that Britain's inclusion in the RPI of mortgage interest rates was "daft." The underlying inflation rate in the economy was likely to rise to a peak of only 5.5 per cent compared to the 5.1 per cent seen last summer.

His overall stance was "buttressed by the firmest fiscal stance of any Government since the war", he added. That guaranteed that the "historic" tax cuts in last year's Budget would remain firmly in place.

He gave no clue, however, about whether they would be followed by further cuts on March 14, nor whether he would heed demands for tax incentives for saving. He warned, however, warn that there should be no expectation of any increases in public spending in the budget.

Mr Lawson said that the rise in interest rates would bring a recovery in the personal savings ratio, particularly with the collapse of the housing boom. As the growth of spending slowed, the deficit on the current account of the balance of payments would narrow, although the process would inevitably take time.

Mrs Thatcher's comments on the exchange rate were seen at Westminster, however, as likely to be less than welcome in the Treasury. Mr Lawson has indicated that he has taken a relaxed view to the pound's recent sharp rise, but intervention by Bank of England to slow the appreciation has pointed to concern in the Treasury to avoid too sharp a rise.

Ford operations review may lead to Dagenham contraction

By Charles Leadbeater and John Griffiths

FORD'S review of all European manufacturing operations in preparation for its "world car" to replace the Sierra in the early 1990s could leave the Dagenham assembly plant in London producing only one model range.

The plant makes the Fiesta in addition to the Sierra.

Mr Bill Hayden, Ford of Europe's vice president responsible for manufacturing, has told plant convenors at Dagenham that the Sierra replacement was most likely to be single sourced from Genk in Belgium.

Mr Hayden is reported to have said at meetings before Christmas that the decision would be made "within six weeks" by Ford's board in the US rather than the company's European management.

Union officials reported Mr Hayden as saying that Dagenham was still inefficient by European standards and that its assembly plant was a "hotbed of militancy", a reference to the two-week strike last year.

Mr Jack Adams of the TGWU general workers union and Mr Jimmy Airlie of the AEU engineering union, are to seek an urgent meeting with Mr Hayden to discuss the issue.

Mr Hayden told the meetings that Dagenham would continue to produce the new Fiesta which replaces the current model this spring and that the plant would produce between 1,300 and 1,400 a day.

Union officials nevertheless believe the decision would lead to a significant contraction at Dagenham, with considerable job losses among the workforce of 12,000.

Should the decision go against Dagenham the unions will launch a campaign of opposition. Union officials believe there would be a chance that the decision could be overturned if they were able to mobilise enough political pressure.

Ford insisted last night that the company was still "looking at a whole range of options" and that it would be some time before any final decisions were taken.

The catalyst for the review is the opportunity for significant production economies which is presented by project LCD 37, the intended replacement for the Sierra and North American-built Ford Tempo/Mercury Topaz models.

Ford is likely to find it attractive to produce the car at one site in Europe. The company has indicated that it intends to cut its inventories to try to match Japan's "just-in-time" methods.

Dagenham produced just over 100,000 Sierras in 1988, but Genk's output was 194,000 Sierras. The UK plant also produced 93,500 Fiestas.

BR set to marshal Chunnel freight in regions

By Kevin Brown, Transport Correspondent

BRITISH RAIL is preparing to abandon controversial plans to marshall all Channel tunnel freight traffic at a single terminal at Willesden, north London.

Instead, plans are being drawn up for freight to be marshalled at a series of regional terminals, from which trains will run directly to the tunnel on upgraded lines to the west of London.

The proposals would require spending of up to £200m on line improvements in Surrey and Kent, including widening several sections, and electrification of the line to the south of London between Tonbridge in Kent and Redhill in Surrey.

BR would also have to order about 40 multi-voltage electric freight locomotives, costing about £1m each, rather than the 23 required to run all trains from Willesden.

The change in strategy follows a review by Mr Ian Brown, managing director of Railfreight Distribution, the BR subsidiary set up last year to handle Channel tunnel freight traffic.

The review concluded that growth in BR's share of the freight market would be seriously curtailed by bottlenecks at Willesden, which might have added up to six hours to some journeys.

BR has been under strong pressure to abandon the Willesden option from businessmen and local authorities in the north of England, as well as Eurotunnel, the Anglo-French consortium which will operate the tunnel.

However, Mr Brown denied that the change of strategy was a response to criticism. "My remit from the British Railways Board is to set up this group and then make profits from it. The only way to do that is to go for a quality operation which is actually saleable to the customers," he said.

"People are saying that the routing through Willesden is not adequate for the sort of traffic we hope to be handling, and they are right. This is a once in a lifetime opportunity for the railways, and Willesden is not a saleable alternative."

Railfreight believes its share of cross-channel freight traffic could reach more than 30 per cent, compared to less than 7 per cent of the domestic UK market, but only if it offers the right service.

Under the new proposals, major regional terminals would be set up in Strathclyde for Scottish traffic; Liverpool and/or Manchester for the north-west; Leeds and/or Wilton (near Redcar) for the north-east; Birmingham and one other location for the Midlands; and Cardiff or Swansea in South Wales.

In addition, BR's decision yesterday to site its second Channel Tunnel passenger terminal at King's Cross clears the way for the establishment of a terminal for London traffic at Stratford, in east London.

Mr Brown said the Customs and Excise service had responded "sympathetically" in initial discussions on the provision of customs clearance facilities at regional terminals.

BR would probably seek local authority and private sector partners to help finance warehousing, offices and intermodal transfer facilities at the terminals.

A £50m deal for the Leeds terminal has already been agreed with Leeds City Council, Bovis, the construction arm of P&O, and Mountleigh, the property group.

Railfreight is preparing an investment case for the revised strategy, which is expected to be submitted to the BR board shortly.

BR is obliged by Section 40 of the Channel Tunnel Act to submit its final proposals for international traffic to the Government by the end of this year.

Gadaffi is IRA's 'top supplier'

Financial Times Reporter

BRITISH Home Secretary Douglas Hurd yesterday labelled Colonel Muammer Gadaffi, the Libyan leader, the Irish Republican Army's most dangerous supporter.

He told Italian police chiefs in Rome the UK Government had proof Col Gadaffi had supplied the IRA with tons of sophisticated weapons and large quantities of Semtex explosive.

"He has also provided them with ample funds and as recently as September reiterated his political support for them, describing their cause as 'just'." The Libyan leader had also, he said, encouraged the radical Abu Nidal Palestinian organisation by allowing it to maintain its headquarters in the Libyan capital, Tripoli.

Mr Hurd, who is on an official visit to Italy, said a "significant" proportion of the arsenal held by "a few hundred" active IRA members had been sent from Libya.

He added: "IRA and other terrorists threaten both Northern Ireland and the Republic of Ireland and so co-operation between the security forces north and south of the border has increased and become more fruitful.

"You will understand against this background why British and Irish ministers are particularly emphatic about the need for strong and concerted European action against terrorism."

Wider aero engine checks ordered

By Michael Donne, Aerospace Correspondent

THE UK Civil Aviation Authority yesterday widened the precautionary checks on CFM-56 engines to those used on Airbus A-320 aircraft after last Sunday's crash of a British Midland Boeing 737-400 on the M1 motorway in central England.

Preliminary checks on the CFM-56-3 engines used in 737-300s and 400s were ordered on Wednesday, covering electronic systems controlling engine fire, overheat and vibration. By late yesterday, most of the 32 UK aircraft involved had been checked, with the rest expected to be cleared by today.

However, the CAA ordered more detailed checks, not only on those engines, but also on the CFM-56-5, a different version of the engine which is used on Airbus A-320s.

The checks were first recommended late on Wednesday by the Air Accidents Investigation Branch of the Department of Transport, after indications that Sunday's accident might have been caused by a fault in the electronic systems controlling the engines of the stricken 737-400.

The CAA now says that it wants all UK airlines flying 737-300s and 400s, and Airbus A-320s, to inspect their engines, especially the combustion chambers, turbine blades and nozzles, oil system magnetic plugs, engine oil samples and oil supply systems.

Some of these checks must be conducted before any further flights of the aircraft and repeated regularly after specific numbers of flying hours, depending on the type of check required and type of engine model involved.

The tougher rules cover the 33 Boeing jets and four A-320s on the UK register. These are flown by airlines such as Air Europe, Air UK Leisure, British Airways, British Midland, Dan-Air, Monarch and Orion. Other airlines which conducted the preliminary checks and found no faults included Aer Lingus of Ireland.

The latest checks involve detailed boroscope examinations of the engines. A boroscope is a fibre-optic detecting device which is inserted into parts of the engine that cannot be inspected by visual techniques.

As a result, the checks may take much longer than the earlier ones, keeping each aircraft on the ground for several hours.

They follow the mystery surrounding the precise cause of Sunday's crash. The aircraft captain shut down his starboard (right) engine, claiming that he had received a warning of fire in it. Accounts from passengers and subsequent evidence indicated a fire only in the port (left) engine.

This gave rise to speculation of a possible fault in the electronic circuits governing the engines, requiring immediate action by the investigators.

Welsh tangle with Japanese invader

By Anthony Moreton, Welsh Correspondent

THE JAPANESE invasion of Wales, which began circa 1972 with the arrival of Takiron in Caerphilly to produce plastic sheet, has taken a sudden turn for the worse.

The Welsh Development Agency, which has spent much time and effort attracting the Japanese to the principality over the past two decades, has turned nasty over one intrusive invader and is seeking to banish it. In an attempt to get rid of the unwelcome guest, it has called on the support of no less a body than the Church in Wales.

The subject of this concern is environmental rather than industrial. It is Japanese knotweed – one of only two plants which it is illegal to introduce into Britain.

Knotweed was first brought into Britain from Japan in 1825 by collectors in South Wales and London. It breeds profusely, particularly in Wales and south-west England, and has become a nuisance.

The plant, known botanically as Reynoutria japonica, can grow to more than 20ft in height and thrives in areas of urban dereliction, of which there are plenty in Wales.

Mr Gwyn Griffiths, the Welsh Development Agency's director of land reclamation, said yesterday that Japanese knotweed could spread at an alarming rate. One plant could spread over four acres in 10 years if left unchecked.

It particularly likes churchyards and burrows deep into the crevices alongside graves and it is this that has aroused the church's concern.

More proeaically, the agency, which has an environmental responsibility, is having trouble with the weed in its construction work. The minutest amount, dug up and transplanted elsewhere, will take root.

It is threatening river banks, leading to fears of flooding, and causing untold problems along roadsides and waste land where new urban construction takes place. It is so tough and resilient that it can grow up through tarmac.

The WDA has called in Richards Moorhead & Laing, consulting engineers and environmental scientists from Ruthin in north Wales, to produce a strategy for tackling the weed.

Mr Ivor Richards, managing director, admits: "There is no easy solution: it likes a wet, mild climate and is spreading fast in South Wales."

Next summer, when the WDA brings the golfers from Japanese companies together for their annual tournament with Welsh businessmen at about the time the Richards Moorhead report is expected, the intrusive weed is one subject that will be tactfully avoided.

Lonrho keeps up pressure for House of Fraser monopolies referral

Takeover report 'a bombshell'

By Raymond Hughes, Law Courts Correspondent

THE bitter battle between Lonrho, the international conglomerate headed by Mr Tiny Rowland, and the Al Fayed brothers, over the latter's takeover of British stores group House of Fraser in 1985, yesterday returned to the High Court in London.

The court heard that Lonrho was convinced that the Department of Trade and Industry's as yet unpublished report into the takeover was "a bombshell." The company is seeking referral of the acquisition of House of Fraser, which includes the London store Harrods, to the Monopolies and Mergers Commission.

Lonrho is challenging Lord Young's decisions not to refer the matter to the commission and not, at least while it is being investigated by the Serious Fraud Office, to publish the report.

The case is one of some urgency as the statutory period for a monopolies reference expires on January 22.

Mr John Beveridge, counsel for Lonrho, said that Lord Young, the Trade and Industry Secretary, had decided – without giving his reasons – that although the report revealed previously undisclosed material facts, he would not refer the matter to the Monopolies and Mergers Commission.

Lord Young had said that "other steps" might be appropriate, but they had not been specified and it did not look as though he was going to do anything very active at all, Mr Beveridge said.

However, the critical fact, Mr Beveridge said, was that Lonrho's evidence that the report must or did contain a conclusion by the Department's inspectors that the Fayeds had been guilty of deceits – including, in at least one instance, perjury – was not disputed in evidence put before the court by the Fayeds and Lord Young.

Mr David Oliver, representing House of Fraser Holdings, intervened to say that there was "no common ground on that."

Mr Beveridge said that since House of Fraser had been acquired by the three Al Fayeds, Lonrho had made allegations against them "to anybody who would listen."

Lonrho alleged that:

- The brothers did not have the "elevated inherited background" or the honest, substantial business empire they claimed.
- They were "of bad repute with a history of dishonesty".
- Their claims about the sources of their "legendary wealth" were untrue.
- The funds for the acquisition of House of Fraser had not come from the Al Fayeds' own resources but from some other, unrevealed, source – in which connection the name of the Sultan of Brunei had been particularly mentioned.

Mr Beveridge said that when Lord Young received the inspectors' report on July 23 last year he had at first indicated that he wished to publish it. Subsequently he had said that he could not do so at the present time because of representations made to him by the Serious Fraud Office.

"Unless and until the report is published," Mr Beveridge said, "the brothers will continue to be in a position of wealth, power and vaunted integrity, and if there is no monopolies reference there is no way to secure House of Fraser from the Fayeds."

He said that if the Serious Fraud Office decided not to prosecute, or failed in a prosecution, the truth might not become known for two or three years.

By that time a different trade and industry secretary might decide there was no point in then publishing the report because too many years had gone by.

"Lonrho says it is vital to the public interest that something is done now, because unless the court does intervene nothing may be done," Mr Beveridge said.

The hearing continues today.

Bond says he has no bid plans for Lonrho, Page 13

Stothert & Pitt to close

By Nick Garnett

STOTHERT & PITT, one of the UK's longest-standing construction equipment makers which has recently been the subject of a web of financial deals involving companies controlled by or associated with Mr Robert Maxwell, is to shut its operations.

The decision, announced yesterday, could lead to the loss of up to 350 jobs, mainly at Bath, in the west of England, where the company makes draglines, offshore cranes and small construction site equipment.

It might also involve the end of another former great name in dragline machinery, Ransomes and Rapier which was merged with Stothert & Pitt last year.

However, part of Stothert will almost certainly be saved and sold off. RB Lincoln, the former Ruston Bucyrus company which also makes draglines might be interested in some of its activities.

The closure announcement was made by Hollis Industries which holds 42 per cent of the Bath company.

It said this was the only way to provide enough finance to meet the group's debt repayments.

Plans to redevelop the main site in Bath were already being finalised, the statement said.

The rest of the construction machinery industry has been bemused by the financial deals surrounding Stothert and Ransomes.

Soma exectives in the industry believed yesterday that the company had foundered on a non-viable financial structure.

Mr Maxwell set up one of his companies, Hollis, as a vehicle to get into the engineering industry and purchased the loss-making Stothert & Pitt in 1986 when it employed 800.

In 1987, Mr Maxwell's BPCC business acquired a number of operations owned by the Central and Sherwood Group. As part of these transactions Stothert and Pitt acquired Ransomes for £1.95m.

Two months later, the closure of Ransomes plant in Ipswich was announced. The closure caused much ill-feeling among the Ipswich workforce which said it had been led to believe there would be no closure.

In May last year, Mr Maxwell sold all his engineering interests. Hollis's nine engineering operations as well as three merchanting subsidiaries were sold to a management team for £55m in cash and the assumption of £13.8m in debt.

Hollis kept a £51m preference and loan capital investment in the new company, part of which converted into a 42 per cent equity stake.

In yesterday's statement, Mr Colin Robinson, chief executive of Hollis Industries, said that despite intense efforts it had been "unable to find an alternative method which would provide the finance needed to meet the group's senior debt repayment schedules."

Stother & Pitt would be disposed off in separate transactions, he added.

No one at Hollis was available to make further comment yesterday.

Unapproved City firms still trading

By Richard Waters

MORE than 250 investment firms which have been rejected by the UK's new financial services regulatory bodies are still in business, it emerged yesterday.

The loophola which allows them to continue trading is contained in the 1986 Financial Services Act, which permits firms to stay in business pending appeal into their case.

The act sets no timetable for the appeals procedure, allowing cases to drag on indefinitely and the firms to continue trading.

However, investors dealing with the rejected firms are not to be told of tha position, even though the bnsinesses concerned have failed to pass the test of being "fit and proper" to carry out investment business.

The Securities and Investments Board, the leading City of London regulator, yesterday published for the first time a list of all firms still in business which are not yet authorised under the Act.

But its list includes those which have been rejected and others which have not yet made the grade for other reasons. Investors using these firms are not covered by the SIB's compensation fund.

Other reasons for failing to receive anthorisation include slowness with paperwork and the need for UK regulators to reach agreements with their counterparts in overseas territories.

Investors thus have no way of knowing which of these so-called "interim-authorised firms" they should deal with.

New home for Sadler's Wells Ballet

By Anthony Thorncroft

THE SADLER'S Wells Royal Ballet is moving to Birmingham in 1990, but will remain part of the Royal Ballet organisation based at Covent Garden, in London.

The company has been lured to the Midlands of England by the promise of a £4m facelift of its proposed home, the Hippodrome Theatre, financed by the Birmingham City Council, plus the injection of £2m additional funding spread over three years, the cost of which will be shared between the City and the Arts Council.

Initially, the company will perform for five weeks a year in Birmingham but this will increase, over five years, to 10 weeks. In addition it will undertake more regional touring (at the expense of performances overseas) while still appearing twice a year in London.

A few of the dancers, especially the principals, are reluctant to move from London and the company acknowledged yesterday that in the early years in Birmingham standards might slip. But a great improvement in the quality of the SWRB is envisaged once the advantages of the new home are felt.

Cutting the net from book prices

Raymond Snoddy examines a fight to end retail price maintenance

THE BATTLE of the books may be about to begin – a battle which could end in the overthrow of virtually the last remnant in the UK of resale price maintenance: the net book agreement.

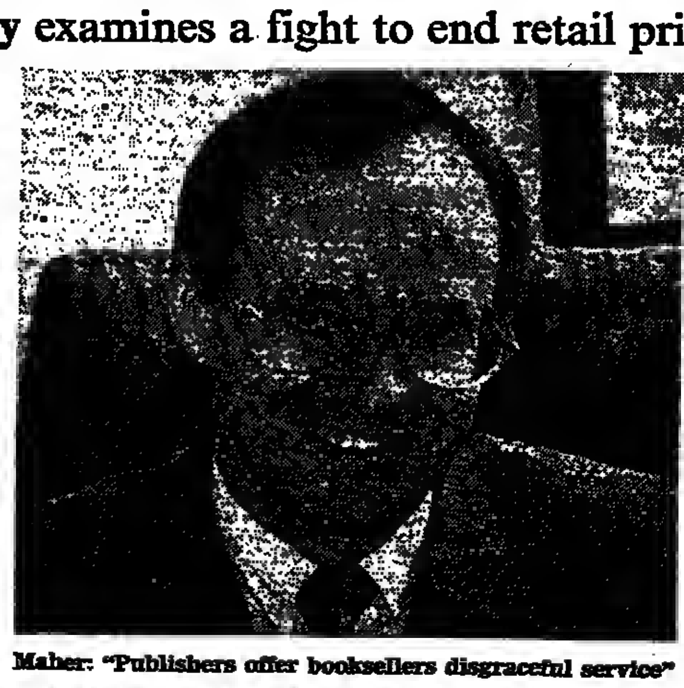
A war of words has been under way for months. Mr Terry Maher, chairman of Pentos, the retail group which incindes Dillons hookshops, has issued increasingly strident warnings that he sees the agreement as a barrier to the modernisation of the bookselling business which must be swept away.

Under the net book agreement, the origins of which date back to early this century, publishers can choose to set a minimum specified resale (net) price for their books. Books, however, which have been in stock for 12 months and have been offered back to the publisher at cost price can be sold at a discount.

Last May, Mr Maher told the Booksellers Conference at Bournemouth that the agreement would have to go. "It protects the inefficient independent bookshop," he argued. "It cossets the publisher from the full effect of market forces. It is the principal means by which publishers hava been able to maintain their tight control of the book trade."

Mr Maher believes that publishers would have to move to a system of discounts linked to turnover as part of an irreversible shift in the traditional relationship between booksellers and publishers. He says this is already under way. Selected discounts would also attract more people to bookshops, increase impulse purchases and thus overall sales.

To Mr Maher the agreement is only one symptom of the old fashioned nature of the publishing industry which ha believes offers "a uniquely disgraceful service" to booksellers.



Maher: "Publishers offer booksellers disgraceful service"

Books ordered from publishers can take an average of 15 to 20 days to arrive, compared with 48 hours for records, says Mr Maher, whose bookshops account for about 5 per cent of UK book sales.

His opposition to the agreement is well documented. But it is less clear when – or indeed if – Mr Maher will launch his attack and start offering discounts of about 20 per cent on selected popular titles, although he has said it will be this year.

"When we make our move we want to make that move from a position of certainty," said Mr Maher, who has been challenging the bookselling establishment by opening large bookshops in cities such as Oxford and Cambridge which are not exactly short of bookshops, placing emphasis on the importance of design and insisting that books have to be properly marketed like any other retail product.

He may try to get the backing of a number of big publishers for his move against the agreement, perhaps inviting an injunction from the Publishers Association so that the agreement, last amended in 1957, could be reviewed in the courts.

Mr Paul Hamlyn, chairman of Octopus Publishing and the largest shareholder in Reed International, has been faithfully predicting the demise of the agreement for the past 25 years and just as regularly been disappointed. He is absolutely opposed to the agreement and says he would definitely listen if Mr Maher proposed such an alliance against it.

"There is no logical reason why books should have a protection that nothing else does," Mr Hamlyn says.

By contrast, Mr Christopher Sinclair-Stevenson, managing director of publisher Hamish Hamilton, is as strong a supporter of the agreement as Mr Hamlyn is an opponent.

He believes that the abolition of the agreement would reduce the number of titles published and increase the dominance of best sellers.

Publishers also fear that small, independent booksellers would be forced ont of business by lower margins, thereby reducing the number of outlets and thus overall sales. The international evidence for this is ambiguous. The ending of resale price maintenance on books in Australia in 1971 has not been followed by a collapse of the bookselling trade. Yet in the UK a clear majority of publishers seem to support the agreement.

A recent survey for the Publishers Association conducted by Mr Frank Fishwick, reader in managerial economics at the Cranfield School of Management, measured by UK sales turnover. It found that 74.6 per cent of respondents supported the agreement, with only 17.3 per cent opposing it.

The publishers also have a powerful retail supporter in W. H. Smith, which accounts for about 15 per cent of the total market through its high street stores and specialist bookseller Sherratt & Hughes.

Sir Simon Hornby, chairman of W. H. Smith, said earlier this week: "We have always made it clear that we will not break the agreement unless another retailer does so first. If that happens we will respond very strongly to protect our business and our shareholders."

Sir Simon accepts the arguments that abolition would initially cut the price of some best sellers, the long-term effect would be to raise the overall cost of books, cut the number of bookshops and reduce the choice to consumers.

If Pentos were to begin unilateral discounting, this would bring the real prospect of a price war.

MANAGEMENT

National Health Service

Flexibility: the pay-off from a risk strategy

John Gapper on the wider implications of nurses' re-grading

What do nurses do? Do they assist doctors, or are they medical practitioners with distinct skills? The answer is not yet fully resolved in Britain. Over the next decade, it will be one of the most important management issues in the National Health Service.

Unlike many personnel management debates, it will be conducted in public. The industrial dispute over pay for nursing staff in the past year has shown the political dangers of attempting to change the way in which nurses' jobs are defined and rewarded.

But the implementation of the new clinical grading structure is only the first step in a long process of re-defining nurses' work to which the NHS is now committed. This year will see the start of a reform of nurses' training likely to have a still deeper impact.

The importance of Project 2000 for the NHS is hard to over-state. It will change the role of nurses, reduce the contribution to ward rotas made by student nurses, and introduce a new grade of nurse helper. It is a strategy carrying enormous risks.

The worst is that by taking student nurses away from wards it will worsen a staffing crisis already described by the NHS regional manpower planners' group as "dire". Some managers have visions of tranches of the workforce disappearing without trace, or access to any replacement.

But Project 2000 also has considerable attractions for managers in both general and clinical management. If it works, it could provide a better-trained and multi-skilled workforce better able to work flexibly without supervision. Such a gain in productivity could be vital in the lean and uncertain years of the 1990s.

For better or worse, Project 2000 is about to start becoming a reality. The NHS management board has set the end of February as the deadline for each regional health authority to submit plans for a pilot site. New courses will start at the chosen nursing schools in the autumn.

The essence of Project 2000, proposed in 1986 by the United Kingdom Central Council for Nursing, is the creation of a new single grade of registered nurse — replacing the current division between registered and enrolled nurses. For the first tima, all nurses will undergo three years of training.

The training itself will consist of an 18-month foundation course followed by a further 18 months spent in one of the four specialist branches of nursing — general, children, mentally ill and mentally handicapped. During the whole three years, students will not be included in staff numbers.

The last aspect of Project 2000 is the one that has caused the most unease between the Government and NHS managars. It means that student nurses will no longer be considered "pairs of hands" assisting qualified nurses on wards. Their rostered service contribution will be cut from 55 to 20 per cent.

At the sharp end of the unwieldy management structure of the NHS, regional and district health authorities are now in the throes of planning how to implement Project 2000. They are also trying to predict what the implications will be for their training and staffing requirements.

Joy Young, nursing officer for Oxford Regional Health Authority, believes the precise effect of Project 2000 on staffing requirements cannot be calculated because of other imponderables such as whether the NHS remains in charge of care of the elderly and *mentally handicapped.*

She thinks the initiative is worthwhile because of the rewards it could bring in cutting nursing staff turnover and creating a more skilled workforce, despite the extra demands it will make in training various grades of staff correctly to cope with new responsibilities.

Within the region, the East Berkshire and Northampton and Kettering nursing schools will become demonstration sites, although training will also be affected by an initiative under which Oxford District Health Authority is transferring all its nurse training to Oxford Polytechnic.

Regional projections show a small shortfall in school capacity between 1990 and 1994 to meet the increased demand for nurses during implementation of Project 2000. The region wants to reduce the wastage rates of students in training and increase recruitment to cover the shortfall.

Young hopes that by making registered nurses feel more competent and giving their training more "educational credibility," Project 2000 will stop them leaving the NHS. She is most concerned at the prospect of training existing staff to supervise the new student nurses effectively.

For the National Health Service *management board,* which is in charge of planning Project 2000 nationally, the reform will stand or fall by the productivity improvements it achieves over the next five to seven years, which it believes will be the time needed to introduce Project 2000 fully.

According to one official, Project 2000 is *"an act of faith* to some extent." The cost of failure would be high; the UKCC estimates that gross annual training costs after 20 years will rise to about £400m compared with £360m today. During the transition, costs will peak at around £430m.

One difficulty will be in measuring whether Project 2000 has succeeded. Although managers will be able to chart changes in the quality of patient care — such as reductions in the number of bed sores because of better ward nursing — it may be hard to isolate the exact contribution made by training.

Len Peach, chairman of the NHS management board, says the benefits to NHS managers will emerge in the 1990s with better use of staff resources, reductions in stress and improvements in morale and patient care. But implementation will require managers to make "considerable efforts."

These efforts will not all be concerned directly with nurse *education. Linked to the training* reforms of Project 2000 is a series of changes to staffing policy, the most far-reaching of which is the change in the role and training of the nursing auxiliary.

There are currently 111,000 unqualified nursing auxiliaries, who perform menial tasks such as cleaning and serving meals. Project 2000 envisages formal training for auxiliaries — who would become "nurse helpers" — and new qualifications for them.

These qualifications, to be established by the National Council for Vocational Qualifications, would aid the Government's insistenca that the "entry gate" to nursing is widened. Helpers schieving a third level NCVQ qualification would he eligible to enter nurse training.

A second contentious issua is that of enrolled nurses. The management hoard wants enrolled nurses to be able to cut by up to a fifth the year they currently have to spend on conversion courses to become registered by using their ward experience as a training "credit".

Furthermore, tha UKCC's wish for a single date for the end of enrolled nurse training to be set by the Government is being resisted. The board wants to see the abolition of enrolled training linked to measurable progress on the new status of nurse helpers.

Behind both issues lies the likely tussle between the Government and the profession in the 1990s over the number of qualified nursing staff compared with unqualified. The Government believes a fall in *the number of qualified staff* is inevitable because of recruitment difficulties.

If that proves true, it could damage one of the central aims of Project 2000. The UKCC wants the new breed of registered nurses to be "knowledgeable doers" — multi-skilled technicians rather than a shrinking pool of supervisors overseeing the manual work of nurse helpers.

It is already clear that the disturbances caused by the new clinical grading structure could pale beside the long-term impact of Project 2000 on the self-image of the nursing profession. As in the case of the structure, an initial agreement is unlikely to be the end of the story.

NURSE EDUCATION AND GRADING REFORMS

- **Clinical grading structure introduced from September last year established a new career ladder for nurses. The cost of the structure in extra pay was £941.5m, but it led to protests by nurses who felt they were wrongly re-graded**
- **Project 2000 nurse training reforms introduced from next October onwards will raise training standards and abolish the split between enrolled nurses — given two years' training — and registered nurses, who are given three**
- **New registered nurse will be a "knowledgeable doer" able to marshall information, make an assessment of clinical need, devise a plan of care and implement it. Professional bodies want new nurses to do less supervision and more active care**
- **Nurse helpers, given better training than current auxiliaries and able to gain qualifications for the first time, would work under the direction of nurses**
- **The nursing "entry gate" will be widened by allowing nurse helpers who gain qualifications to enter nurse training; making it easier for enrolled nurses to convert to registered status; and attracting wider range of applicants**
- **Nursing students will be supervised and taught wholly by qualified teachers, rather than being used as "pairs of hands" on wards under the control of health service managers**

Tony Andrews

The role of nurses is now a key NHS management issue. Under Project 2000 the contribution of student nurses in wards will be reduced and and a new grade of nurse helper introduced

Little chance of common standards for managers

Michael Skapinker examines a UK study

What are the chances of British industry being able to come up with a common set of criteria by which to assess tha skills and abilities of its managers? Not particularly good, according to a study prepared for the Council for National Academic Awards.

The study, which was carried out by the Ashridge Managemant Research group, is part of a larger project aimed at establishing a new national system of management education in the UK.

The Ashridge findings do not make particularly cheerful reading for the Management Charter Initiative (occasionally referred to as the Charter Group), which believes that the best way to improve the standard of British management is to draw up a set of "competences" which managsrs throughout the country would attempt to attain.

"In quite a few of the interviews conducted during the survey, respondents expressed the view that the bodies responsible for implementing the Charter Group's aims do not recognise the complax nature of what they are trying to do," the report says.

"Furthermore, it was frequently pointed out that the apparent haste with which they are going about their task suggested that 'almost anything would do' as long as it was implemented soon."

The strong views expressed about the Management Charter Initiative were surprising in view of the fact that many of the organisations interviewed by the team hava drawn up a list of competences of their own. Indeed, many of those companies have associated themselves with the Initiative.

What these companies appear to object to is the idea that one list of competences could satisfy the needs of all companies, regardless of the environment in which they operate.

"Management development is a highly complex process which requires a range of quite different approaches and interventions in order to be successful. The Management Charter Group appears to be suggesting, by implication at least, that this is not the case," the report says.

It adds that "if the Charter Group continues to press for the immediate implementation of a national and universal system of competence assessment, it runs the risk of becoming irrelevant to the needs of British business and industry."

Despite the reservations about a national set of competences, the report found that "there is evidence of a rapidly expanding pool of knowledge and expertise in the area of managerial assessment and development in this country."

Many companies had set up assessment centres to evaluate the extent to which managers had attained the necessary level of competence. This was particularly true of large businesses operating in relatively stable markets.

However, companies operating in more volatile markets were reluctant to impose a "universal stereotype" of performance on their managers. They believe instead that "individuals bring different combinations of competence to their work and therefore need to be placed in positions which enable them to best exploit their particular strengths," the report says.

There is, the report found, "a growing body of businesses in the country who recognise that in order to be successful they will have to learn how to cope with, and attempt to manage in, a constantly changing and highly volatile business environment.

"For these companies, the relevance and appropriateness of identifying and applying a universally set of management competences or a singla assessment procedure is minimal. Furthermore, there was a great deal of evidence presented informally during the course of the survey that suggested that the way in which these particular companies are being forced to operate and adapt today could become the norm for the majority of business organisations in the future."

The report concludes that Charter Initiative needs to to pay greater attention to those companies expressing views different from its own. "A great deal more pragmatism and flexibility is required if the new initiative is going to be successful."

The Ashridge research will be published in February under the title Management Assessment in the UK. Ashridge Management Research Group, Berkhamsted, Hertfordshire HP4 1NS. £20.

TECHNOLOGY

Invaluable properties of the sapphire

EVERY technology has its day. For Marconi Electronic Devices (Medl), the chip arm of GEC of the UK, a semiconductor technology developed for Britain's Ministry of Defence (MoD) more *than 15 years ago* is now coming into its own in the satellite market.

Silicon-on-sapphire (Sos) chips, which have a silicon layer covering a sapphire substrate, were originally identified by the MoD because they could continue to function following a nuclear explosion. The *insulating properties of* the sapphire harden the semiconductor to radiation effects and make it suitable for use in space, where equipment is exposed to 100,000 rads.

In 1988 scientists at the US and European space agencies *discovered* that *transient* cosmic rays in space could obliterate data from an ordinary chip and thus cause equipment to malfunction, so that for example, a television programme broadcast by satellite would be temporarily wiped out.

When a cosmic ray hits a standard chip, the effect *spreads throughout* the component, erasing the data. The components can be shielded with lead to prevent this happening, but that weighs down the satellite. With Sos, the sapphire substrate minimises the spread of devastation within the chip. In addition, the circuits are designed so that each element is isolated — if one is wiped out the adjacent ones continue to function. Medl claims that the chance of this single event upset affecting a Sos component is once every 1,000 years, compared to once a day for standard components.

Manufacturing components for space equipment is difficult and expensive because once a component is launched it has to function accurately for at least 10 years. Prodnction takes 40 weeks and if a chip fails any of the scrupulous tests it cannot be reworked. As a result one small chip can cost up to £10,000.

In 1984 when Medl realised the potential for Sos technology it had to upgrade its chip production facilities and retrain its personnel — a Sos operator takes six months to train. The paperwork and necessary approvals also protract the production cycle.

Medl has already received orders worth over £1m for Sos components from the European Space Agency, for use in just one of its scientific satellites, and for components for one of Australia's Aussat satellites which is being built by Hughes in the US. The market for the components will increase in the early 1990s as the number of satellites launched goes up.

Other manufacturers of Sos components are mainly big name US semiconductor, satellite and defence manufacturers such as Hughes, RCA, Rockwell, Westinghouse and General Electric of the US.

Della Bradshaw

The long route to air worthiness

Paul Abrahams looks at the stringent tests given to new aircraft engines

The type of engine which caught fire on the ill-fated British Midlands Airways flight from London to Belfast last Sunday has been subjected to rigorous tests.

The object of these tests is both to evaluate the intrinsic reliability of the engine and to assess its ability to deal with foreign objects, such as water, entering the mechanism.

When a new version of an engine is produced it cannot be installed on an airframe until it has been given a certificate of air worthiness. This can only issued when it has met the design and test requirements set by the US Federal Aviation Authority (FAA) or the UK Civil Aviation Authority (CAA).

The whole test procedure normally takes between 3,000 and 5,000 hours of engine running, although the CAA says that some certificates have been issued after tests lasting as long as 7,000 hours — equivalent to *running for 300 days.*

Peter Vinall, head of power plant at the CAA's design and manufacturing standards division, explains that the backbone of the programme is the type endurance test. This takes place on a test bed at the manufacturer's factory, under the supervision of tha regulatory authority. Most of the conditions which the engine might meet in flight are simulated.

In the endurance test, the engine is assessed at a variety of speeds for as many as 150 hours. During this time, the manufacturers look for excess vibration and assess the ability of the device's high energy rotating components to withstand abnormally high temperatures. The engine is then stripped down and each component examined for signs of deterioration.

Before the engine can be issued with a type certificate, the manufacturer is also obliged to test the ability of the engine to deal with foreign bodies coming into the engine. Water, hail and ice are sprayed into the mechanism and the engine's performance is tested at different speeds — while idling and at take-off velocity as well as during acceleration and deceleration.

Dead birds are also propelled into the engine, either singly or in groups, in an attempt to gauge its ability to deal with both the impact and ingestion.

It is possible that a foreign object may have entered the port engine of the British Midland Airways Boeing 737 which crashed last Sunday. The CFM-56-3 engine, manufactured by CFM International, jointly owned by General Electric of the US and Snecma of France, has previously had problems with water intake.

In New Orleans, 18 months ago, both *CFM-56-3 engines on a Boeing 737-300 of* the El Salvadorian airline, Taca International, failed during a rainstorm and could not be restarted. The aircraft crash-landed.

As a result of this accident, the FAA issued an air worthiness directive. This instructed pilots to avoid thunderstorms and areas with high precipitation, because there was a possibility that rainfall could cause the engines to shut off and then prevent pilots being able to reignite them.

This weakness appears to contradict reports from the FAA that the engine has a particularly good reliability record. Jay Pardee, manager at the engine certification office of the FAA, points out that the CFM-56-3 engine has a low rate of engine-caused in-flight shutdowns. He says that the number of times it shuts down *during flight* — 0.007 per 1,000 hours — compares favourably with other engines powering Boeing 737s.

However, Graham Warwick, news editor of Flight International, the aviation magazine, points out that although the engine has a sound history — indeed it appears to be the most reliable of its type — it is not clear whether the published statistics for engine-caused in-flight shutdowns include incidents triggered by rain.

Warwick explains that a shutdown caused by water entering the mechanism need not necessarily be logged as being caused by the engine. For example, if the pilot noticed engine problems caused by water *intake,* he might shut down the engine before it failed. Such a shutdown would then be recorded as being caused by the pilot.

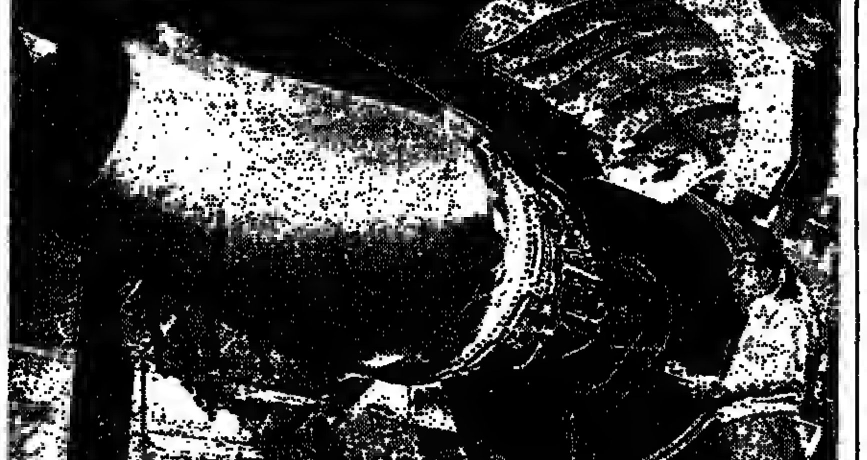
Once an engine has been certified, it cannot be installed in production models until the combination of airframe and engine has also been tested. This is to see if this process of installation has had any adverse effects.

In particular, it is necessary to make sure that the instrumentation linking the cockpit to the engine is working. For example, there are sensors in the engine that monitor vibration and heat.

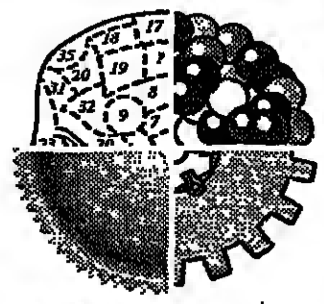
The engines are also tested for ice formation when installed on the aircraft. Water is sprayed from rigs set up on the wings to see how much ice forms on the engines when the air temperature is below freezing point. This is normally evaluated visually from the cockpit or with cameras.

Once the airframe/engine combination has been issued with a certificate and is in full production, the manufacturers have to follow strict specifications during construction. In the US there are *normally FAA inspectors* permanently on-site to ensure that standard testing procedures are followed. The manufacturers then flight-test the aircraft before handing it over to the owners.

British Midland Airways will have carried out at least two acceptance test flights, during which any problems should have been ironed out, before *signing for the aircraft.*



A version of the CFM-56 engine being checked in the US



WORTH WATCHING

Edited by Geoffrey Charlish

Europe put in the electronic picture

CANON, the Japanese camera and electronics group, has introduced an electronic still camera into Europe for the business and industrial user, priced at £1,066.

The system uses US/Japanese standards (NTSC), but the company believes that in professional circles, where switched-standard monitors are used, the lack of a European standard (PAL) version will not be a major drawback.

Called RC-470, the camera looks like a compact 35 mm film camera and has autofocus and automatic exposure. It uses a half-inch charge coupled device (CCD) as the picture sensor, employing 360,000 pixels (individual picture elements). Picture clarity approaches that of US television.

The camera uses a two-inch floppy disk to record pictures magnetically, and the disks can be reused many times. Fast and slow recording speeds allow 25 images per disk for best quality, or 50 images where quality is less important. The camera can take up to 20 pictures in one second.

Also available is a separate playback unit (£466), which allows pictures to be seen on a monitor, and a £1,300 colour printer.

The announcement follows the recent release in Japan of a consumer market camera which has built-in playback facilities and which is expected to be sold in Europe for about £500. This model, the RTC 250, has been launched in Japan as Q-Pic, but will not be in European shops until the autumn.

Erasable disks head for market

A RESEARCH Newsletter from Dataquest, the California-based market research organisation, indicates that the 5.25 inch erasable optical disk store will soon be in regular use in personal computers (PCs).

Canon, Ricoh, and Sony in Japan are either shipping, or about to ship, products and *similar news has come from* Maxtor and Kodak in the US. Kodak has skipped the 5.25 in stage and gone straight for the 3.5 in size now common for magnetic storage in PCs.

Canon's unit will be the primary storage device on a computer from the Next company to the US; while Ricoh, which developed its product with Olympus, the Japanese camera company, is due to start production soon.

Maxtor began shipping last October, says Dataquest, and a similar announcement came from Sony in October after a year of testing with potential users.

The market research company believes that there is a liaison between Sony and Hewlett-Packard and that the latter could be the first major computer company to offer erasable optical disk drives on its computers.

Conferences by video

LOCAL video conferences, using microwave links between premises and associated video systems, can be mounted with equipment from Microwave Modules, of Liverpool in the UK.

The company has already had success with equipment that can monitor remote sites and send pictures to a headquarters up to 15 km away. Split screen techniques allow all sites to be seen at once. Customers have included the emergency services, *local authorities and* utilities.

For large commercial organisations, the company is now offering systems that will allow managers in different parts of a city, or at separate rural sites, to see and talk to each other, and look at drawings, photographs and objects. This should enable them to reach decisions that otherwise would have needed a "live" meeting. Prices for the system start at about £20,000.

Known as MVC8000, it can work between virtually any number of sites. Each user has a desk-top unit with a 14 in colour screen and a built-in *camera, microphone and* loudspeaker.

From PC screen to wall screen

TELEX Communications, of Minneapolis in the US, is offering a device which can be used with an overhead *projector to throw data and* graphics from personal computers on to a wall screen.

The unit consists of a panel measuring 13.0 in x 11.7 in x 1.9 in, which is laid on the horizontal image plane of the projector. The panel houses a big liquid crystal display (LCD) which is back-illuminated by the light from the projector.

The system, known as the Magnabyte 5080, will automatically recognise and adjust to the PC video signals to which it is connected. It is able to accommodate the IBM PS/2, the IBM PC models XT and AT, all the compatible machines, and several Mackintosh models.

The panel is not able to display the original colours of the computer material due to the limitations of the LCD, but it produces its own "palette" of colours which can be modified by using a small keyboard.

Character record

MICROPOLIS Corporation, of California, has launched 5.25 in hard magnetic disk drives which are able to store 1.2 gigabytes (1.2bn characters) of data. The company says that this is the highest yet achieved in this size of magnetic disk.

Wave energy prospects

EXPERTS FROM the National Engineering Laboratory (NEL) in East Kilbride, Scotland, are in India assessing the prospect of building a wave energy system into the breakwater of a new port north of Madras. NEL has developed a system that turns the forward energy of waves into an oscillating water column which pushes and pulls air through a directive duct system to drive a turbine connected to an electrical generator.

CONTACTS: Canon: London office, 773 3173. Dataquest: US, (408) 437 8000. Microwave Modules: UK, 051 523 4011. Telex Communications: US, (612) 884 4051. Micropolis: UK office, 0734 751315. NEL: 03552 20222.

ARTS

Arts Week

F | S | Su | M | Tu | W | Th
13 | 14 | 15 | 16 | 17 | 18 | 19

January 13-19

EXHIBITIONS

London

The National Gallery. Rembrandt: Art in the Making. A small but highly informative study exhibition, prepared by the Gallery's technical department and centred on the major works by him in the collection, treating on Rembrandt's working. Ends Jan 17.
The Whitechapel Art Gallery. A major exhibition of the sculpture made in the past two years by Richard Deacon, the young winner of the Turnar Prize in 1987. (Until Jan 22).

Paris

Grand Palais. Paul Gauguin. Coming after Washington and Chicago, 250 works from the United States, the Soviet Union, Japan and Czechoslovakia, together with those in French possession, form the first great retrospective since 1949 of the legendary *peintre maudit*. The chronological hanging brings out the impressionistic palette and gentle brushstroke inspired by Pissarro in the first canvases of the self-taught artist, while the influence of Degas and Cezanne continues throughout his life. January 14 until April 24, closed Tue; late closing night Wed (42965830).
Centre Georges Pompidou. Tinguely's tinkering genius sets his machines swirling and whirring in a riot of colours, yet the mood of the 100 exhibits moves from the exuberance of invention to metaphysical preoccupations in his recent works. Closed Tue, Ends March 27 (42 77 12 33).
Le Louvre des Antiquaires. A show of wallpaper from 1720 to 1930. The exhibition displays 300 samples of this minor decorative art and shows how its development followed, and underlined, the changes of fashion. 2 Place du Palais Royal (42 97 27 10). Closed Mon, ends April 2.
Galerie Odermatt-Cazeau. Camille Clandel 1864-1943. The sculptor, a disciple and lover of Rodin, whose tragic life, ending with 30 years in a mental asylum, inspired a book and now a film, is the subject of an important exhibition. There are 14 of her works, mostly bronzes, with a towering Perseus and Gorgon in marble. 85 Bis, Rue du Fbg. Saint-Honore (42669258). Closed Sundays. Ends Jan 31.
Musée de Cluny. Medieval art in Paris. The abbots of Cluny built their magnificent late Gothic town house in the heart of the Latin Quarter on the blackened ruins of Roman baths. Now a museum, it houses mediaeval works of art – goldsmiths' work, carved altarpieces, ivories, fabrics, with two English royal standards embroidered in gold on red velvet. Place Paul-Painlève, Métro Odéon. Closed Tuesdays and lunchtimes.

Brussels

Musée d'Art Ancien. From Manet to Picasso: The Reader's Digest Collection. Impressionist and Post-Impressionist works from the corporate headquarters in Pleasantville, New York. Closed Monday. Ends Jan 22.
Musee Bellevue. Les Flacons de la Seduction. The art of perfumery in the 18th century. 7 Place des Palais. Ends Feb 19.
Brussels International Film Festival. In its sixteenth year, the festival provides advance viewing of major first run films and makes awards for the best first film by a European Producer, best Belgian film. Jan 11-21 Palais des Congres, 3 Coudenberg (218 1367).

Rotterdam

Boymans-Van Beuningen Museum. Twin exhibitions on Rembrandt and his school comprising a lavish 200 drawings and 30 paintings, all from the museum's own collection. Ends March 5.

The Hague

Mauritshuis. These 36 "Paintings from England" lay at the heart of a diplomatic wrangle after the death of "Dutch" King William in 1702, when Queen Anne peremptorily demanded their return from William's Dutch hunting lodge as being the property of the English crown. Of mixed quality, but including three superb Holbeins and Gerard Dou's serenely domestic Young Mother. Ends Jan 26.

Antwerp

Koninklijk Museum Voor Schone Kunsten. Leopold de Waelplein. Golden Light: Art of the Icon. Contains 185 icons dating between the 13th-17th Centuries. Many of the Byzantine, Cretan and russian icons are on public view for the first time and are lent mainly from private collections. Closed Mon. Ends Feb 5.

Berlin

Brucke Museum. Emil Nolde (1867-1956). The exhibition concentrates on Nolde's most creative period in Berlin between 1910-1911. Bussardsteig 9. Ends Feb 5.

Stuttgart

Stuttgart Museum. The most important pictures of the famous Thyssen-Bornemisza collection covering the period between 14th-18th century as well as works by Holbein the youngest, Frans Hals, Peter Paul Rubens and Albrecht Durer. Until March.

Braunschweig

Braunschweig, Herzog Anton Ulrich-Museum. European Baroque Painting. As a gesture of reconciliation, 65 17th and 18th Century paintings from the Warsaw National Museum are to be exhibited in Braunschweig, 50 years after the German invasion of Poland. This exhibition concentrates on the Dutch painters Gerard ter Vorch, Hendrick ter Brugghen, Jan Stee, Salomon van Ruysdael as well as painters current with Rembrandt, with a group of Carvaggio followers and the German and Austrian 18th century painters with works by Januarios Zick, Franz Anton Maulbertsch and Anton Graff. This exhibition can be seen until Jan 29, and tours afterwards to Utrecht, Cologne and Munich.

Vienna

Kunsthistoriches Museum. Pragua 1600 – A marvellous exhibition looking at the court of Rudolf 11, the great patron, not only of the arts but also the sciences. He kept Johannes Kepler from near starvation, and made Prague a centre of learning and culture. Ends Feb 26.
Oesterreichisches Museum fur Angewandte Kunst. Works by the Austrian artist Peter Weibel are on show until Jan 30.
Museum der 20 Jahrhunderts. Klassische Moderne – a collection of the Museum's contemporary art. Ends March 7 1989.
Albertina. Four Austrian artists who emigrated to New York before the Second World War have now returned, at least in spirit, with their work. Ends Jan 29.
Historisches Museum der Stadt Wien (The city of Vienna's Museum for history). A commemoration of Kristallnacht, which took place throughout Austria on the night of November 9 and 10 1938. This exhibition, which takes the form of slides, pictures and maps depicting Austria's 180,000 strong Jewish community before 1938, is an attempt by the Austrian Government to become more open about its ignominous past. Ends Jan 29.
Hermes Villa. Portraits by the fin-de-siècle artists, Gustav Klimt and Emilie Floege. Ends Feb 19.

Rome

Palazzo dei Conservatori (Campidoglio). Glass of the Caesars. Queues are stretching right across Michelangelo's Piazza, waiting patiently for a glimpse of the immensely sophisticated ornamental glass and tableware belonging to the imperial Roman court. The show is proof of the extraordinary good taste of the Caesars and their enlightened attitude to the decorative arts. Constantine did his part to encourage glass-makers in AD37 by exonerating them from a special tax levied on all craftsmen. Until Jan 31.
Gallaria Nazionale d'arte Moderna. Witty conceptual art by one of the best of the middle generation of Italian artists, Giulio Paolini, born in Genoa in 1940. Until Feb 26

New York

Metropolitan Museum of Art. More than 100 works by south-west American artist Georgia O'Keeffe will cover the range of her career, focusing on her influential abstracts, flower paintings and stark desert landscapes. Ends Feb 5
National Gallery. Phillips Collection. The modern vision of the pastoral landscape, with works by Gainsborough, Constable, Eakins and Cezanne, among others, is part of an unprecedented 136-work, two part show, the other half of which, depicting landscapes of five centuries, is at the Washington National Gallery. Ends Jan 22.

Chicago

Art Institute. Dante Gabriel Rossetti, J.E. Millais, Edward Burne-Jones and Simeon Solomon take centre stage for this British drawings show, called "From the Ridiculous to the Sublime," which covers a century from Thomas Rowlandson's satires through Turner and Lear to the pre-Raphaelites. Ends March.

Washington

National Gallery. Seven Centuries of Japanese Art, as it evolved under the feudal *daimyo* lords is the subject of a major exhibition of 450 specially designated Japanese national treasures, including paintings, sculpture, swords, painted scrolls, ceramics, robes and lacquer. Ends Jan 23.

Tokyo

Suntory Museum. Fabrics from Okinawa, Japan's southernmost island chain preserved until recently its own unique culture, influenced more by China than Japan. This exhibition features beautiful dyed textiles made by a technique called 'bingata' (red stencil dyeing), as well as woven fabrics in indigo and other dyes. There is also a small selection of Okinawan lacquerware. Closed Mondays.
Idemitsu Museum. Ukiyoe Paintings. Ukiyoe is usually associated with the woodblock print, but this delightful exhibition focuses on scroll paintings by some of the masters of the "floating world" – mainly genre scenes and portraits of beautiful women in colourful kimonos. Closed Mondays.
Teien Museum. Paintings by Leonard Fujita. Fujita (1886-1968) was one of the first Japanese artists to live and work in France.

OPERA AND BALLET

London

Royal Opera, Covent Garden. A new English-language version of Die Fledermaus by John Mortimer is introduced to the house in John Cox's (also new) staging, with a first-rate cast (including Carol Vaness, Thomas Allen, Dennis O'Neill and Adam Fischer as conductor.
English National Opera, Coliseum. The 1977 production of La Bohème is revived with a cast headed by Rosamund Illing, David Rendall and Nancy Gustafson. Further performances of The Mikado in Jonathan Miller's sparkling updating, and final showing of the company's first-ever Rimsky-Korsakov staging, Christmas Eve – a mixture that doesn't quite work, though there are certainly enough ingredients for a spectacular family show to provide some entertainment.

Paris

Théâtre de la Ville. Angelin Preljocaj is followed by Jean-Claude Galotta (Fri, Sat, Sun) and the Groupe Emile Dubois bringing with them Mammame Montreal, the great success of the Montreal Festival (42742277).

Brussels

Théâtre Royal de la Monnaie. Wozzeck by Alban Berg with José Van Dam in the starring role as well as Walter Raffeiner, Ricardo Cassinelli, Anja Silja and Christiane Le Maitre. Sylvain Cambreling conducts the orchestra and chorus of the Monnaie (Sun,Tues,Wed).

Vienna

Staatsoper. In repertory: Tosca conducted by Anton Guadagno. Cast includes Gwyneth Jones, Franco Bonisolli, Eduard Tumagian, Rudolf Mazzola. Cavalleria Rusticana conducted by Garcia Navarro and sung by Gwyneth Jones, Wladimir Atlantow, Georg Tichy, Matteo Manuguerra. La Bohème conducted by Elio Boncompagni, with cast including Gabriela Benackova-Cap, Eugenia Moldovenau, Francisco Araiza and Manfred Hemm. La Traviata conducted by Ralk Weikert, with Suzanne Murphy, Waltraud Winsauer, Anna Gonda, Luis Lima.
Ballet: Dream Dances, conducted by Ulf Schirmer and Les Noces, conducted by Ernst Maerzendorfer (Tel: 51444, ext 2660).
Volksoper. In repertory: Ein Walzertraum; Die Zirkusprinzessin; Don Giovanni; Die Csardasfürstin; Das Land des Lächelns.
Ballet: Arthur Schnitzler und sein Reigen is conducted by Herbert Mogg. (Tel: 51444, ext 2662).

Rome

Opera. Manon Lescaut with Raina Kabaivanska, Patrick Raftery and Nicola Martinucci, conducted by Daniel Oren (Fri, Sun) and Le Nozze di Figaro in a revival of the 1964 Visconti version by Alberto Fassini, conducted by Donato Renzetti (Sat, Tues). The cast includes Elisabeth Norberg Schulz, Clarry Bartha, Adelina Scarabelli, Claudio Desderi and Mario Bolognesi.

Naples

Teatro san Carlo. Second production of the season is a restrained and sensitively sung production of Lucia di Lammermoor directed by Lutz Ochstraate, conducted by Massimo de Bernart, with a young cast led by Denia Mazzola (Lucia) and Giuseppe Morino (Edgar) (Fri, Sun, Tues) (7972412).

New York

Metropolitan Opera House, Lincoln Center. The week features the premiere of Bluebeard's Castle with Jessye Norman as Judith and Samuel Ramey in the title role in performance with the monodrama Ewartung where Jessye Norman sings the Woman. James Levine conducts both. The week also includes the last seasonal performances of Le Nozze di Figaro, with Kiri Te Kanawa as Rosina and Hansel and Gretel. Aprile Millo sings Aida, with Vladimir Popov Ramades and Alain Fondary as Amonasro, conducted by Christian Badea (362 6000).
New York City Ballet, State Theatre, Lincoln Center. The 40th anniversary season features 26 works by George Balanchine, nine by Jerome Robbins, five by Peter Martins and a month of Balanchine's Nutcracker. In addition, works by Laura Dean, Eliot Feld, William Forsythe, Lar Lubovich, commissioned for this season, will be interspersed in the season, which ends Feb 26 (496 0600).

Washington

Washington Opera, Eisenhower Theater, Kennedy Center. The double bill of Weber's Abu Hassan and Mozart's The Impresario revives works set at a local theatre in 1890, which was first produced 10 years ago. Evelyn de la Rosa and Sally Wolf are the battling rivals for top billing in Weber's intepretation of the Arabian Nights. Theodore Baerg continues as Figaro and Ruth Ann Swenson as Rosina in The Barber of Seville, as directed by Leon Major and conducted by Joseph Rescigno (254 3776).

Chicago

Lyric Opera, Civic Opera House. Susan Dunn plays Aida to Giuseppe Giacomini's Radames in Nicolas Joel's production conducted by Richard Buckley (332 2244).

Tokyo

La Traviata (concert performance). Lucia Aliberti, Peter Dvorsky, Renato Bruson. Tokyo Philharmonic Orchestra, conducted by Robert Paternoster. Suntory Hall (Wed) (505 1001).

THEATRE

London

Single Spies (Lyttelton). Marvellously entertaining new Alan Bennett plays about Guy Burgess and Anthony Blunt, with Simon Callow and the author. Prunella Scales joins in as Her Majesty the Queen. In National Theatre repertoire until February 4 before transferring to West End (928 2252).
A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stonewalling and no-dealing tricks (930 2578, cc 839 1438).
The Secret Rapture (Lyttelton). Brilliant new David Hare piece for the National Theatre, a satirical but moving romance on life, love and family politics in Thatcher's Britain. (928 2252, cc 240 7200).
The Shaughraun (Olivier). Recommended Christmas treat, as Boucicault's melodrama is given the full scenic works but is also revealed as a key Irish dramatic milestone. Fine cast led by Stephen Rea (928 2252). Jan 19-21, Feb 13-16, March 1-4.
Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected. (834 1317, cc 836 2428).
The Sneeze (Aldwych). Eight short Chekhov pieces – four vaudevilles, four early stories – translated and adapted by Michael Frayn and performed in various styles by Rowan Atkinson, Timothy West and Cheryl Campbell. Slightly rewarding, intermittently funny (836 6404, cc 379 6233).
Mrs Klein (Apollo). Intriguing chat among the child psychoanalysts in Nicholas Wright's hit transfer from the National. Fizzing performances from Gillian Barge, Zoë Wanamaker (437 2663, cc 379 4444).
Orpheus Descending (Haymarket). Triumphant debut for the Peter Hall Company with Vanessa Redgrave candescently sensual and Italianate in atmospheric restoration of Tennessee Williams's last indisputably major play (930 9832).
Henceforward (Vaudeville). Ian McKellen and Jane Asher in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, women as robots, gangs on the streets and a rug-of-love (836 9987, cc 741 9999).

Amsterdam

The Footsbarn Theatre with Babylon (Thur). Stadsschouwburg (24 23 11).

New York

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christina Baranski leads an ebullient cast in the inevitable but disappointing hit.
Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).
A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot (586 6510).
M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).
Speed-the-Plow (Royale). David Mamet applies his biting sarcasm and ear for the exaggerations of American language to Hollywood, in this screamingly funny and well-plotted exposé of the film industry (239 6200).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).
The Piano Lesson (Goodman). Prolific August Wilson continues his exploration of the American black in history with a play, set in 1936, about a family's arguments set round a heirloom piano. Ends Feb 11 (443 3800).

Tokyo

Kabuki. The festive new year programme at Kabuki-za (541 3131) includes a popular modern kabuki play Jū-san, Baa-san (Grandpa, Grandma) at the 11.30 matinee. The evening show at 4.30 ends with the spectacular Lion Dance. National Theatre (265 7411)
Carmen. Musical (in Japanese) based on the opera, but which follows Merimée's novella more closely than Bizet did. The aim, according to director Mike Ashman of the Royal Opera House, Covent Garden, is to put back "the sex and violence." Aoyama Theatre (981 1711).

Continued on Page 9

ARTS

A rare venture into literal topography: "Le Campo Vaccino," 1636.

Claude Lorrain in black and white

David Piper discusses a new book on the artist's etchings

In talk of art and artists, the single name "Claude" is usually enough for identification. If more is needed, we qualify him by the name of his native region in France. In its sheer dulcet euphony, Claude Lorrain, at least as pronounced by the French seems to answer ideally to the nature of his painting: of idyllic elegaic Italian landscapes melting into sunlit distances with as subtle a gradation of tone and colour as has ever been achieved.

The idea of this vision being realised in black and white might seem incongruous, even if not to those who know his drawings. But that he should attempt through the medium of etching – via a metal needle scratching on a metal plate – might seem almost foolhardy. However, for many specialist curators and collectors and printmakers Claude's landscape etchings are esteemed amongst the finest ever made.

Even if his range in this medium cannot compare with the supreme virtuosity of Rembrandt (his slightly younger contemporary), his etchings have always had dedicated admirers. The finest impressions, however, are not generally very visible to the general public. The last major exhibition devoted to Claude was at the Hayward in 1969, which indeed included etchings, but the most recent, and splendid, show of his work in 1982/3 went from Washington to Paris and by-passed London.

The etchings are relatively few, produced in two bursts of activity, the first in the 1630s, the second in the 1660s, a total of only 44 subjects. The scarceness of contemporary impressions of them suggests that not many were taken, though a complementary problem for amateurs is that the artist retained all the original plates and almost half of them survived together long after his death; it is often very difficult to distinguish early impressions.

The enterprise of Agnew's putting on show some 46 impressions, mostly early though including representation of some plates in different states, was admirably timed to coincide with the publication of a definitive catalogue of the whole corpus, *The Etchings of Claude Lorrain*, by Lino Mannocci (Yale University Press, £50). The exhibition was, though, so quickly over that many must have missed it. Not so, the book that inspired it. It is a meticulously distilled and produced record of ten years' exploration of the Claude holdings of the major print rooms of the West, and of delving into dealers' stocks and those tantalising parcels or folders of prints at auction rooms.

The result displaces all previous catalogues. It is an essential work of reference for specialist consultation, for even the most expert professionals scarcely less than for amateurs. It corrects the status of a number of impressions even in great print rooms, noting sometimes adjustments in the printing that have led to too early a dating. "Improvements" are not always made with intent to deceive, however. Notably in the 1816 reprints, plates by then much worn were extensively reworked, very skilfully but producing a greater sharpness and contrast which appealed perhaps to later generations than Claude's, but modified fundamentally his original intentions.

However that may be, thanks to Mannocci, the true love of Claude can now survey his entire work as etcher in confidence for the first time, and trace its vicissitudes, from the initial process of creation (even "accidents" in the acid bath) through production and reproduction through the centuries. Though Mannocci's reproduction have obviously been the subject of the greatest care, they cannot of course provide the visual feel and texture of the originals, but they are the next best thing.

Claude achieved complete mastery of etching technique within a very few years of his first attempts. His subjects include most of the types that appear in his paintings, such as the idyllic classical landscapes and the harbour and marine scenes, but also even a very rare venture into literal topography, as in an account of the Forum at Rome (Le Campo Vaccino) and a remarkable sequence of 13 plates recording the firework celebrations in Rome in 1637. Already by 1636 he had produced the print that many consider his masterpiece, The Cowherd ("Le Bouvier"), so close in feeling to Gainsborough's later landscapes that one feels the English painter must have known the print. A theme that he returned to more than once was that of the naively ceremonious rustic dance in the open, as if an illustration to *A Midsummer Night's Dream*.

He was, technically, a wizard, achieving in places effects that engravers only mastered many years later, in mezzotint and aquatint. Technique however was not exploited for its own sake but to realise in black and white, and in a much narrower compass, the poetry that his painting celebrates in colour. Each plate was an original creation in its own right, but like the paintings capable of touching chords not only in the hearts and minds of the classicising Virgilian British poets of the 18th century but in the romantic imagination of Keats. Only Ruskin sniffed, but in the late twentieth century Claude's idylls may well reduce a despairing Green conservationist into a nostalgic trance.

An old-fashioned new Aida

Andrew Porter reviews the new production at the Met, New York

Aida has fallen below *Don Carlos* in critical esteem, but it remains a popular opera. It is the work the Met has most often performed. The first night of the new production – the company's seventh, since 1886 – was the 652nd Met performance (not counting tours). *Bohème* comes next, with 644; then *Carmen*, with 548.

The only element of novelty in the show was Leona Mitchell's first Met Aida. She had evidently worked hard to get *the role securely into her* voice. The sound was often very beautiful. But it was not exactly an interesting or affecting performance. There was little temperament. The words were slighted. All vowels were darkened, and the tone was darkened too – "covered," richly "rounded," to the point of monotony. "Mai più" became something like "moy pyah." There was never any fierce, fresh, apparently spontaneous declamation.

Placido Domingo was Radamès. (He alternated the role with conducting Marilyn Horne in *Carmen*.) He adopted Verdi's alternate ending for "Celeste Aida" - a loud high B-flat, followed by an octave drop - but he sang the low B-flats loudly too. He was unbecomingly costumed; beneath a helmet, his ears stuck out. His declamation was disappointing to anyone who has thrilled to Jon Vickers's Covent Garden Radamès - and to Martinelli recordings. Yet several times he made one *sit up and pay attention* - in the duets with Aida and the duet with Amneris - to timbre at once strong, virile, and beautiful; to great singing.

Amneris was Florenza Cossotto - still very loud, but now shrewish in tone, and intent on little beyond powerful vocal projection. This *Aida* came to life when Sherrill Milnes's Amonasro stepped forward. Suddenly there was an artist with dramatic presence, sounding the force of the words, feeling the force of the drama. This was a performance that Verdi would surely have responded to and approved.

The sets, by Gianni Quaranta, and the staging, by Sonja Frisell, are standard *Aida* routine. The colours are white, gold, and sandstone brown; Amneris's green fan provides s touch of colour, and Aida and Radamès gain coloured costumes in Act 3. The Met stage-lifts come into play in Act 2 as Amneris's boudoir sinks down to reveal a stacked triumph scene, and the audience applauds loudly. Again in Act 4, where the temple floor rises to reveal at once the temple and the vault beneath it.

Poor casting and poor conducting have dogged much of the Met season. The New York Times critic of the recent *Barbiere* revival suggested that the company, instead of engaging the Italian tenor for Almaviva that they did engage, would have done better to call out on Broadway, "Any Rossini tenors around?" – and be sure of finding at any hour at least two abler than the man that they did hire. This new *Aida* was intended as a Franco Zeffirelli production, but Zeffirelli was dropped when his plans ran way over the Met's budget. If the Met had then simply rung round the opera warehouses of the country, they could surely have found a trad *Aida* staging more lively, more Verdian, than this heavy affair, derived from a Buenos Aires production.

It began admirably. James Levine took the prelude close to Verdi's marking, crotchet 76, and secured wonderfully delicate, expressive string playing and supple phrasing. But thereafter there seemed to be occasional differences of opinion between the singers and their accompanist, and seldom an unobtrusive, natural flow. I heard instrumental counterpoints I had not heard before, and enjoyed them. But the drama, presented in stand-and-deliver line-up, was unmoving.

Anything for a Quiet Life

ALMEIDA THEATRE

The fascination of the continuing Théatre de Complicité retrospective has been to see how theatre can be remade, rediscovered, through methodology foreign to a text-based, literary tradition. After their stunning version of Dürrenmatt's *The Visit*, which starts a provincial tour in Warwick later this month, the company invents a farcical scenario of office life from absolute scratch.

There is rain, there are cupboards. Suits are peculiar, an office bigwig has convened a meeting. Is this Kafka, is this Gogol? Possibly yes. An Italian pen-pusher has a mother in tow. A plangent soundtrack suggests Samuel Barber finally met up with Avro Pärt.

The great challenge now being faced by work such as this, and Declan Donnellan's *Fuente Ovejuna* at the National, and deborah warner's *Electra* in The Pit, is the matching of distinctive performance to an overriding choreography.

The body language here is derived from the office. It is as though Vaclav Havel's *The Memorandum* has been dismembered, the bits examined and stuck together again. There is a ballet of translatorese in the international meeting. Actors slump and slide in brutal regimentation. The mother has a hip problem, is in perennial search of the toilet; Kathryn Hunter, last seen as the avenging, snake-like millionairess in *The Visit*, spoils her son's office slap and tickle by staying for some creamy cake. She resembles an arthritic chimpanzee, green-skinned and avaricious.

That liaison between the frantically athletic Marcello Magni and the lumpenly luscious Mrs Box-Cooper (Annabel Arden) becomes an antiphonal theme in the bureaucratic convocation. Its ludicrous veracity is rooted in a physical, critical observation worthy of an auteur like Mike Leigh. Miss Arden, with a beehive hair-do, severe glasses and mobile rump, is a Mike Leigh character on the other side of Europe.

The average day in an office is prefaced by Celia Gore-Booth's woolly-topped cleaner joshing the audience and Myra McFayden's bird-like coughing Glaswegian in a delightfully terrible wig trying to light a fag between gasps. The boss is reported ill, in hospital, dead.

The office dance concludes in a series of brilliantly contrived false endings, in which cupboards and doors are used with an ingenuity unmatched since Lyubimov's *Crime and Punishment*. A boiler explodes, a cellar is explored, Mr Euro-Fixit says "I've checked it all, I've screwed up everything."

That wonderful line strikes at the very heart of Complicité's internationalist enterprise, which is about office-speak, big and little bangs, and, most crucially, the rudimentary idea of theatre aspiring to formalised art. Sheer magic.

Michael Coveney

Alastair Muir

Marcello Magni and Annabel Arden

Gala for Armenia

COVENT GARDEN

Wednesday's "Evening for Armenia" was the response by many people working in the Royal Opera House to the tragedy centred on Yerevan. Its proceeds devoted to the British Red Cross Armenian Earthquake Appeal, the gala performance brought dancers and singers from the Soviet Union to join our own Opera House casts in this practical expression of concern and sympathy for the victims of the disaster.

Critical comment upon such affairs is out of place. Gratitude to the performers and all those whose generosity made the performance possible is obvious, and a laundry list of names less than necessary, especially when the evening had been transmitted by Channel 4 – to whom also thanks and admiration – to a national audience. I would note, simply, that an occasion such as this testifies yet again to our immense affection and respect for Soviet artists. To hear Sergey Leiferkus and Lyubov Kazarnovskaya of the Kirov Opera in the third act duet from *Yevgeny Onegin*, to watch Natalya Bessmertnova and Yury Vasyuchenko of the Bolshoy Ballet in part of the second act of *Giselle*, was to recognise that debt we owe.

The evening brought voices new to London, and a couple of moment of additional balletic interest. Natalya Makarova and Anthony Dowell were ecstatically reunited in the bedroom pas de deux from *Manon*; the absence of the Bolshoy's hero Irek Mukhamedov gave Errol Pickford of the Royal Ballet s chance to partner Nina Ananiashvili in the *Don Quixote* pas de deux – a reminder of earlier Anglo-Soviet double-work when Nadia Nerina was joined by the Bolshoy's Nikolay Fadeyechev for a memorable TV *Giselle* and also danced with the Kirov and Bolshoy Ballets in their home theatres, as did Beryl Grey.

To all the performers and to all those who made the performance possible, renewed gratitude. And, by way of the Red Cross, a continuing chance for us to show the most immediate thanks by making further donations to the Armenian Earthquake Appeal.

Clement Crisp

The 1989 Old Vic season

Jonathan Miller's second season at the Old Vic opens with his production of *King Lear* on March 23. Eric Porter will play the title role, with Paul Rogers and Frances de la Tour also in the cast.

This will be followed on May 18 by Tim Albery's revival of *As You Like It* with Fiona Shaw as Rosalind. Richard Jones will direct John Mortimer's translation of Feydeau's *A Flea in Her Ear*, last seen in London in a National Theatre production in 1966.

Finally, Peter Zadek will direct Wedekind's *Lulu* on December 5, based on his own recent production at the Deutsches Schauspielhaus in Hamburg. The cast will include three English-speaking German actors.

The Old Vic currently has 10,000 subscribers. Prices for the four-play 1989 season range from £42 for top price seats to £12 for a matinee subscription.

MC

Christmas Eve

COLISEUM

To judge from the queue for tickets and the crowded auditorium, English National Opera's seasonal offering of Rimsky Korsakov's *Christmas Eve* should have succeeded in replenishing the company's coffers.

The run ends this evening, and for the last two performances Martin Handley has taken over in the pit from Albert Rosen, while Elizabeth Byrne sings the part of Oksana in place of Cathryn Pope.

When David Pountney's production was unveiled in mid December its determinedly cheery stance did not impress Max Loppert. Now, a week after Twelfth Night, it seems equally unattractive.

For someone who has admired Pountney's previous forays into fairyland quite unreservedly this is a deep disappointment, lacking the visual flair and unfailing coherence of its predecessors, and dispensing comedy in crude, unfunny portions. I laughed once or twice, particularly at Anne-Marie Owens's splendidly excessive Solokha, but the heavily larded decor – too much clutter and too many visual jokes – seems to ask for much more.

Where *Christmas Eve* differs from, say, *Rusalka* or *Hansel and Gretel* is in its musical quality – there is no consistent stream of musical ideas to underpin the visual conceits, *few tunes to whistle*, fewer still moments of inspiration.

Martin Handley keeps the show on a steady course, and faithfully realises Rimsky's orchestration – unfailingly civilised but by no means magical – but he could do little to vary its pace or buoy up its set pieces.

Miss Byrne has a difficult job with the spoilt Oksana; she sings winningly but does not mitigate the character with enough charm. Charm is the one quality in short supply throughout the evening – charm and wit touched in with the lightest of hands.

Andrew Clements

SALEROOM

Record for rare Dossi

The first important auction of the year took place at Christie's in New York on Wednesday when some good Old Master paintings sold for $13,625,370 (£7.6m), with 16 per cent bought in. There was one exceptional record price, $2,296,517 paid by the London dealer Hazlitt, Gooden & Fox for a recently rediscovered large allegorical picture by Dosso Dossi of two nude figures, one male, one female, against a dark background, perhaps painted in Rome in the 1530s.

Just what it means is uncertain, which seems appropriate since the best guess is that it relates to the uncertainty of human existence. Works by Dossi, a key figure in the High Renaissance, rarely appear on the market.

Another record was the $296,829 which secured for another London dealer "Laughing children with a cat" by the 17th century Dutch woman painter Judith Leyster, whose style is similar to that of Frans Hals. A Rubens portrait of a bearded man fetched the same sum.

Antony Thorncroft

ARTS GUIDE

January 13-19

Continued from Page 8

MUSIC

London

BBC Symphony Orchestra. Part of the Images de France exhibition featuring Pierre Boulez, the leading French composer (Sun, Tues, Thur). Barbican Hall. 638 8891.

Ensemble InterContemporain, conducted by Peter Eötvös. Works by Boulez as part of current retrospective (Mon, Tues). Barbican Hall. 638 8891.

Kim Brewer, piano. Mozart and Beethoven. (Sat). Purcell Room, Royal Festival Hall. 928 3191, cc 928 8800.

The Grahamophones, Dance Band Days. Pre-war dance band repertoire (Sun). Queen Elizabeth Hall. 928 3191, cc 928 8800.

Royal Liverpool Philharmonic Orchestra, conducted by Libor Pešek. Mozart and Berg. (Tues). Royal Festival Hall. 928 3191.

City of Birmingham Symphony Orchestra, conducted by Simon Rattle with Helen Field (soprano), Linda Hirst (contralto) and John Mitchinson (tenor). Brahms and Janáček. Royal Festival Hall. 928 3191.

Paris

Gerhard Oppitz, piano. Brahms (Mon) Salle Gaveau (45 63 20 30)

Orchestre Colonne, conducted by Alexander Rahbari, Cecile Ousset (piano). Berlioz, Grieg, Beethoven (Mon). Théâtre des Champs Elysées. (47 20 36 37)

Margarita Zimmermann (mezzo-soprano) Dalton Baldwin (piano). (Mon). Chatelet (40 28 28 28)

Ensemble Orchestral de Paris, conducted by Roberto Benzi, Boris Belkin (violin), Glinka, Prokofiev, Haydn (Tue). Salle Pleyel (45 63 88 73)

Scottish Chamber Orchestra. Monteverdi, Cavalli, Vivaldi (Wed). Chatelet (40 28 28 28)

Orchestre de Paris, conducted by Carlo Maria Giulini. Mozart, Bruckner (Wed, Thur). Salle Pleyel (45 63 88 73)

Nouvel Orchestre Philharmonique, conducted by Kenneth Montgomery. Philippe Bianconi (piano). Mozart (Thur). Radio France, Grand Auditorium (42 30 15 16)

Byron Janis (piano) playing Chopin (Thur). Théâtre des Champs Elysées (47 20 36 37)

Brussels

Royal Flanders Philharmonic Orchestra, conducted by Vladimir Fedoseev, with Michail Pletnev (piano) performing works by Glinka, Prokofiev and Tchaikovsky (Sun). Palais des Beaux-Arts 512 5045.

RTBF Symphony Orchestra, conducted by André Vandernoot, with Daniel Blumenthal (piano) and Andre Siwy (violin). An evening in Vienna: works by Webern, Berg and Schönberg (Fri). Maison de la Radio (735-4550).

Antwerp

Marcel Ponseele and Paul Dombrecht (oboe), Richte Van der Meer (cello), Robert Kohnen (harpsichord) Donna Hyry Agrell (Fagot) perform Zelenka, Fasch, Telemann and Handel De Singel (Thurs). 03-237-5158

Vienna

Küchl Quartett. Beethoven and Küchl (Fri). Musikverein.

Wiener Philharmoniker, conducted by Zubin Mehta. Mozart, Richard Strauss, Brahms. (Sat, Sun). Musikverein.

Wiener Kammerorchester, conducted by Sandor Vegh. Tchaikowski, Borodin, Dvorak. (Sun) Konzerthaus.

Concentus Musicus and the Arnold Schönberg Chor. Conducted by Nikolaus Harnoncourt. Bach's Christmas Oratorio (Sun) Musikverein.

Piano Recital, Nikita Magaloff playing Chopin (Mon, Thur). Konzerthaus.

Ensemble Jean Louis Petit. Tisne, Chaynes, Conde. Takak-museum.

Austrian State Radio and Television (ORF) Orchestra and Choir, conducted by Erwin Ortner. Isaac, Webern. (Thurs). ORF studios.

Rome

New Cambridge Buskers. Michael Copley and Jeremy Sams continue a British month organised jointly by the Accademia Filarmonica and the British Council, playing Brahms (four intermezzos and ballad in B-major (Sun) and Tchaikowsky's sonata in G-major (Wed.) Teatro Olimpico box office: 393304

Violinist Salvatore Accardo with pianist Bruno Canino playing Mozart, Schubert, Shostakovich and Szymanowski (Fri) and Alain Lombard conducts Saint-Saens's piano concerto no. 5 in F-major, Faure's Pelleas et Melisande Suite, and Bartok (Sat, Sun, Mon and Tues) Auditorium in Via Della Conciliazione, box office: 6541044.

Milan

Recital by tenor Jose Carreras accompanied by Martin Katz (Mon.) Teatro Alla Scala: box office: 80.91.26

Florence

Sir John Pritchard conducting three works by Mozart: the Jupiter Symphony, D-major flute concerto (with flautist Pier Luigi Mencarelli) and Vesperae Solennes de Confessore in C-minor with Anastasia Tomaczewska (soprano), Susanna Anselmi (mezzo-soprano), Paolo Barbacini (tenor) and Auro Tomicich (bass). (Fri. Sat and Sun at 16.30). Teatro Comunale: box office: 2779236)

Amsterdam

Royal Concertgebouw Orchestra, Concertgebouw. Edo de Waart conducting with Paul Verhey (flute). Keuris, Bernstein, Zemlinsky (Fri).

Radio Chamber Orchestra, conducted by Hans Zender, with sound control by Karl-Heinz Stockhausen (Sat, matinée). Stockhausen

Netherlands Philharmonic, conducted by Hartmut Haenchen with Carolyn Watkinson (contralto). Mahler (Sat, Wed).

Musica Antiqua Köln Kammerorchester led by Reinhard Goebel (violin). Schmelzer, Biber, Bach (Sun).

Vienna Philharmonic, conducted by Zubin Mehta. Schubert, Richard Strauss, Brahms (Mon). 718 345

Utrecht

Royal Concertgebouw Orchestra conducted by Edo de Waart with Paul Verhey (flute), Edith Wiens (soprano) and David Pittman Jennings (baritone). Keuris, Bernstein, Zemlinsky (Sat). 31 45 41

Rotterdam

Rotterdam Philharmonic with James Conlon conducting. Kees Hülsmann (violin). Dvorak, Bruckner (Wed, Sat, Sun matinée) 413 2490

New York

New York Philharmonic conducted by Felix Krulikov, Ivan Moravec (piano). Brahms, Schumann, Prokofiev (Tue). Avery Fisher Hall, Lincoln Center (799 9595).

American String Quartet. George Tsontakis (world premiere). Mozart, Brahms (Tue). Kaufmann Hall (996 1100).

Jorge Bolet piano recital. Liszt, Schubert, Wagner/Liszt (Wed). Carnegie Hall (247 7800).

Louisville Orchestra conducted by Lawrence Leighton Smith, with Elmar Oliveira (violin). Morton Gould, Copland, Ezra Laderman, Martinu (Thur). Carnegie Hall (247 7800).

New York Philharmonic conducted by Zubin Mehta, with Julia Varady (soprano). Paine, Mozart, Beethoven (Thur). Avery Fisher Hall, Lincoln Center (799 9595).

Cleveland Quartet. Bartok programme (Thur). Grace Rainey Rogers Auditorium, Metropolitan Museum of Art (570 3949).

Orchestra of St Luke's conducted by Julius Rudel, with Frederica von Stade (mezzo-soprano) (Thur). Poulenc, Schubert. Carnegie Hall (247 7800).

Washington

National Symphony Orchestra conducted by Mstislav Rostropovich. Shostakovich programme (Thur). Kennedy Center Concert Hall (254 3776).

Chicago

John Weaver violin recital. Mixed programme (Mon). Orchestra Hall (435 6666).

Chicago Symphony Orchestra conducted by Günter Wand. Schubert, Brahms (Thur). Orchestra Hall (435 6666).

Tokyo

Orquesta Nacional de Espana conducted by Rafael Frühbeck de Burgos. Albeniz, Beethoven, Stravinsky (Tues). Suntory Hall (505 1001).

Julian Lloyd Webber (cello) Bach, Debussy, Beethoven, Falla. (Wed). Bach, Debussy, Britten, Rachmaninov (Thurs). Casals Hall (233 3193).

Tokyo Metropolitan Symphony Orchestra, conducted by Hiroshi Wakasugi, with Kenji Kobayashi (violin), Kifuu Mitsuhashi, Teruhisa Fukuda (shakuhachi), Mayumi Miyata (shoh). Works by the Japanese composer Makoto Moroi (Wed). Tokyo Bunka Kaikan (822 0727).

Japan Philharmonic Orchestra, conducted by Akeo Watanabe. Tchaikovsky, Dvorak (Thurs). Suntory Hall (234 9911).

FINANCIAL TIMES

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Friday January 13 1989

The new US Cabinet

WHAT IS going to matter most in the first year of the Bush Administration, almost irrespective of the pull of foreign affairs, is the relationship between the President and the Congress. This is obviously going to be focused on reducing the federal deficit, a knot made no easier to untie by President Reagan's valedictory, though "dead on arrival" budget. But it may be influenced, in all sorts of subtle ways, by the personalities and policies associated with members of the new Cabinet.

In this respect, the new Bush team, on the surface, looks comforting in that it presages no obvious unnecessary confrontation with the legislative branch. In contrast with his two predecessors, George Bush has not come to Washington pledged to run against it, because, for most of his working political life, he has been a part of it. He has, therefore, not imported a raft of outsiders, as President Carter partly did, or a group of ideologues, as President Reagan definitely did. Mr Bush, who has nothing like Mr Reagan's mandate eight years ago, has few, if any, obvious hostages to fortune on his list, beyond the fate of Colonel Oliver North, and the Irangate cross now looks less threatening.

Proven conservationist

Given that his only previous executive appointment of note was the cynical selection of Senator Dan Quayle as a running mate, this suggests that he does understand the difference between running for and actually running the office of chief executive. Indeed his determination to appoint a proven conservationist, Mr William Reilly, to head the Environmental Protection Agency, deserves approval, as should the choice of Mr Louis Sullivan to be Secretary of Health and Human Services in spite of fervent right-wing opposition over his alleged "softness" on the issue of a woman's right to have an abortion. Bringing Mrs Elizabeth Dole on board reflects not only a recognition of merit but of the need to bury the hatchet with, not into, Senator Robert Dole, the Republican leader of the Senate.

On the other hand, for all that many of its members are Mr Bush's old friends and cronies, this could be an argumentative Cabinet. It is not clear how well Mr Reilly will sit with Mr Manuel Lujan, the new Interior Secretary and, on the basis of his congressional record, a believer in development of unspoiled land. It is hard to see Mr Jack Kemp, who made a name as a thoughtful but very conservative congressman from New York, settling into the obscurity of the Housing Department. Lots of problems could end up on the President's desk for resolution, which is what Mr Bush says he wants but which might prevent him from keeping his eye on the main ball of reducing the deficit.

Secure relationship

Some solace has been taken from the elevation to apparently still greater power of Mr James Baker, President Reagan's all-purpose fixer, but it cannot be taken for granted that his writ will run Administration-wide from the vantage point of the State Department. His relationship with his President seems completely secure and there is nothing to suggest that he will not work well with the likes of Mr Brent Scowcroft, head of National Security in the White House, Mr Nicholas Brady at the Treasury, or Mr Richard Darman in the Budget Office. But Mr Baker is faced with an agenda, in his bailiwick, that will keep him more than busy.

Both Mr Baker and probably Mr Bush are best known for their reactive abilities. Beyond good management, it is less clear what both believe in, something that could not be said of Mr Reagan, nor indeed of many previous secretaries of state. The new President has put together a Cabinet which, on balance, promises to help him come to the sensible decisions, but it still leaves the onus on the man himself. And on that, the world is still waiting to hear his voice and not merely to read his lips.

Turning off a takeover tap

THE UK Government's move to block French efforts to take over Britain's 29 privately owned water companies was a slow reaction to an embarrassing problem.

Given the large uncertainties which still surround the Government's plans to privatise the 10 state-owned water boards, it had little choice but to call a halt to the systematic efforts of three French water suppliers to buy up the smaller UK water companies which are already in the private sector.

Apart from the political unease caused by these foreign takeovers, they were unfair to the British industry, which cannot deploy normal commercial weapons against the Gallic invasion until after the Water Bill becomes law. The 10 state-owned water boards would find it politically difficult to make counter bids, even though a recent court judgment showed that the legal impediments had been exaggerated.

The 29 statutory companies – so called because they are incorporated under separate Acts of Parliament – are also tied down by the highly restrictive laws under which they were set up. These were never intended to equip them for the salvoes of a stock market battle. Their utility status, controlled return on capital and limited scope for manoeuvre also made them most unlikely targets.

Predatory interest

The French predatory interest was alerted entirely by the smell of higher profits after the industry is privatised, when the statutory water companies may opt to become ordinary companies under regulations for the whole industry.

Since these regulations have yet to be published, it is too early to judge how the managements of the statutory companies will perform under the new regime, or how they will fit into the structure. The takeover activity cannot therefore be justified on the usual ground that the market is seeking to remedy imperfections of structure or management.

However, the Government's announcement that it will ensure a reference to the Monopolies Commission of further bids for all but the smallest statutory water companies raises a more difficult issue at the heart of its privatisation proposals. That is the extent to which the threat of takeover is an appropriate spur to good management in a monopoly utility.

In the early phases of the Thatcher privatisation programme, it was often assumed that privatised industries would benefit from the normal disciplines of the capital markets, although special "golden shares" were created to delay the impact, as is now proposed in the case of the 10 water boards.

Doubtful presumption

This presumption may be false, especially in an industry with such strong monopoly characteristics as water. Managements of a monopoly can satisfy shareholders while giving a bad service to customers, and vice versa. In the absence of competition, the relationship between profits, prices and standard of service is governed at least as much by the effectiveness of regulations as by management's ability to curb costs and invest wisely.

Takeovers among utilities may well prove to be justified after privatisation, but, since all these companies will operate as monopolies under government licence, the signals of the market will need to be interpreted cautiously. Low profits may reflect accidents of geography or demography not allowed for in the regulations rather than poor management. A predator may spot a better way to exploit a licensed monopoly without enhancing the public interest.

These, no doubt, were among the considerations which caused most of the water industry to be put into the state sector. The magic of the market can do little to change its essential characteristics. The Government has slowly come to recognise that good regulation rather than pressures from shareholders will be the key to better performance. If it had seen this clearly at the start of the venture it would have taken more timely steps to block premature takeover activity. It might also have asked whether there were less potentially disruptive ways to improve the industry's structure and performance than selling it off.

Christopher Parkes, in the first of a series on Unilever, examines the group's strategy

Strengthened by a sense of destiny

Prod a Unilever man and you get a history lesson. The urge among executives throughout the group to start every other sentence with: "Ten years ago . . . " is part defence, part apology for years of silence, part honest endeavour.

It stems from an unprecedented effort to position The Concern in its true perspective in the corporate landscape and bring it properly into focus in its own eyes and the eyes of the world investment community.

Unilever trails behind it a train of convenient definitions, collected over its long history – none of which does it justice. It is much more than "the world's biggest consumer products group." The familiar "Anglo-Dutch" tag belies its global foundations. Organic in its structure, it cannot properly be defined as either an organisation or a club. It has been likened to a giant tanker which takes an age to change course, but it has more the characteristics of a fleet in battle order.

"Seven or eight years ago we were in a business that was difficult to define," says Niall FitzGerald, finance director. He tries again. "Unilever has a very diffuse image. We have still not succeeded in communicating in a coherent form what the constituents or the whole represent . . .

Part of the price of silence, introspection and incoherence has been persistent under-performance in world stock markets, and the group's standing at a stubborn discount to rivals like Procter & Gamble.

Mike Angus promised more openness when he took over as chairman of the UK half of Unilever in 1986 and the investor relations roadshow has been on the move since. The result in recent months has been an almost universal shift from "hold" to "buy" in brokers' ratings, but little action among investors.

Angus and FitzGerald are confident these signals will be translated into actual institutional buying, especially in the US market, once the bout of buy-out, bust-up and bid speculation in the consumer sector starts to wane.

They may, however, face a lengthy wait. Although short-term concerns seem uppermost in fund managers' minds at present, they are rooted in the long-term business of internationalisation of markets. With so much action and promise of bid-related profits among more vulnerable companies, it could be years before a virtually bid-proof entity like Unilever attracts the support it feels it deserves.

Executive vanity is offended by the markets' refusal to pay due recognition to Unilever's greatness. But the board is also concerned about its duty to shareholders in ensuring that the stock is properly valued, not to mention the possibility of Unilever's wishing to use an alternative to cash when it makes the next big buy so widely expected in the City. Only this week it announced that it was in negotiation to buy Fabergé, the perfume and personal products group which could cost up to $2bn (£1.1bn).

With another nod to history, Niall FitzGerald speaks carefully: "We have not issued equity for 50 years – and we have no immediate interest or intention – but we do not want to consider a major strategic move, for example, and then turn away because we don't issue equity."

More big bids like Unilever's purchase of Chesebrough-Pond's are widely expected. Indeed, they are essential if long-term ambitions are to be realised. But Unilever is constantly busy in continuing and accelerating its low-key acquisition programme.

Between 1983 and 1986, as it emerged from the phase in which it disposed of most of its unwanted baggage in paper, transport and packaging, atoned for past acquisitional errors and sought out its core businesses and its lost sense of direction, the group bought an average of 15 new businesses a year. In 1987 it took over a further 25 and in 1988, according to FitzGerald, the total reached 35.

This is a slender enough total from the four bid proposals he receives each day from Unilever operating companies, and although it hardly indicates hyperactivity – Unilever has 500 or so growth-hungry subsidiaries around the world – examination of the buys shows the lessons of history have been learnt. All have been in sectors of established Unilever expertise, all in good shape, and all skilfully handled.

"In the last four years we have spent £4.5bn on acquisitions, made £2.5bn on disposals, and the net amount has been financed by cash flow," FitzGerald notes.

Among recent important moves, Brooke Bond gave the group a 30 per cent stake in the UK tea business to complement Lipton's 40 per cent in the US. Naarden catapulted Unilever's substantial but mainly in-house flavours and fragrances business into the world number two position and added several more links to its global chain of speciality chemicals.

Chesebrough-Pond's gave its fragmentary personal products business a name, global reach, another chunk of skilled management, an outlet for 40-odd years' research and development work in skin care, and a new perfume business. It brought the group an ideal complement to its detergent arm's toilet soap business, a $500m high-growth food business in spaghetti sauce . . . and another big gun with which to attack its US-based competitors in their own backyard.

It also gave Unilever's collective confidence a boost. The speed with which it disposed of Stauffer chemicals and other trappings of Chesebrough's diversification programme was rewarded with admiration from the City of London. The speed and efficiency with which the personal products core was absorbed in only six months reaffirmed feelings roused after the Brooke Bond buy that Unilever at last knew what it was about. The group had only recently been humiliated when Procter hustled it out of its bid to take over Richardson-Vicks, and it needed a lift.

The group's tight-knit, but free-flow management structure makes it an extremely sensitive organism. Although in formal, management-school terms, operations are directed through a three-dimensional structure based on products, territories and functions like finance and marketing, good and bad news travels swiftly and undistorted to every corner of the Unilever universe.

As Angus points out, there are, at most, only four layers of management between him and the lowliest brand manager in the furthest corner of the world. Six different nationalities are represented on the 18-man main board. Former ivory towers like the group's research centres have been opened up by the installation of experienced Unilever businessmen in key positions.

Internal movement of the group's corps of 20,000 managers is ceaseless and accelerating. Career paths may cross several times, promoting cross-fertilisation of ideas in the middle ranks of the group where the decisions are increasingly being taken.

Angus harks back to the 1970s. Then, he says, management was a second-class career. "Because of quasi-socialist pressures no one came on strong because it looked greedy and people thought you had your hand in the till." Now, says FitzGerald: "We want people to take high risks. We expect mistakes to be made and we accept them as unavoidable costs." Lipton in the US, for example, operates as a blame-free society. "Once an idea has been accepted it is everyone's idea," he says.

Lipton sales and profits have grown without interruption since 1951 and there is better to come. "Unilever has told us never to slow down," says Blaine Hess, chairman, who is at present engaged in the pursuit of a brace of potential acquisitions. Last June he heard General Mills was planning to open a factory in the east to make a new children's drink which had been a hit on the west coast. Between then and the first week in October, he had researched the market, developed the product, found a co-packer, installed plant, and beaten GM into its new target market with a product which will sell $47m-worth next year.

"The windows of opportunity are small and move past very quickly," he says. This applies to all his colleagues in Unilever's front line operating companies. And it is increasingly the case for the people at the centre. Long-accustomed to a long-range view of the world in which the windows appeared to pass more slowly, Unilever is finding that the universe spins faster now. The opening of the European market, source of 60 per cent of sales, is threatening to sharpen competition in its heartland.

The food business in the industrialised world – source of a similar proportion of turnover – is in a state of flux as the population ages, demand switches from heavily processed products to fresh convenience foods, former mass markets fragment and distribution evolves along British lines into powerful retailer concentrations.

At the same time, consumer markets in the developing world are springing to life. In the Unilever World – a peculiar definition which excludes large parts of the globe – the East Asia and Pacific zone in 1970 accounted for 18 per cent of global gross domestic product. By 2000, says Jan Peelen, the main board director responsible for the region, the proportion will have reached 31 per cent, totalling £13.2bn.

In the medium term, food presents Unilever with its most demanding challenges. FitzGerald admits that the group's interest is still seen mainly as lying in edible fats. It is trying to establish food in its broader definition as a legitimate "core" business with the international spread, depth and authority enjoyed by margarine, detergents, personal products and speciality chemicals.

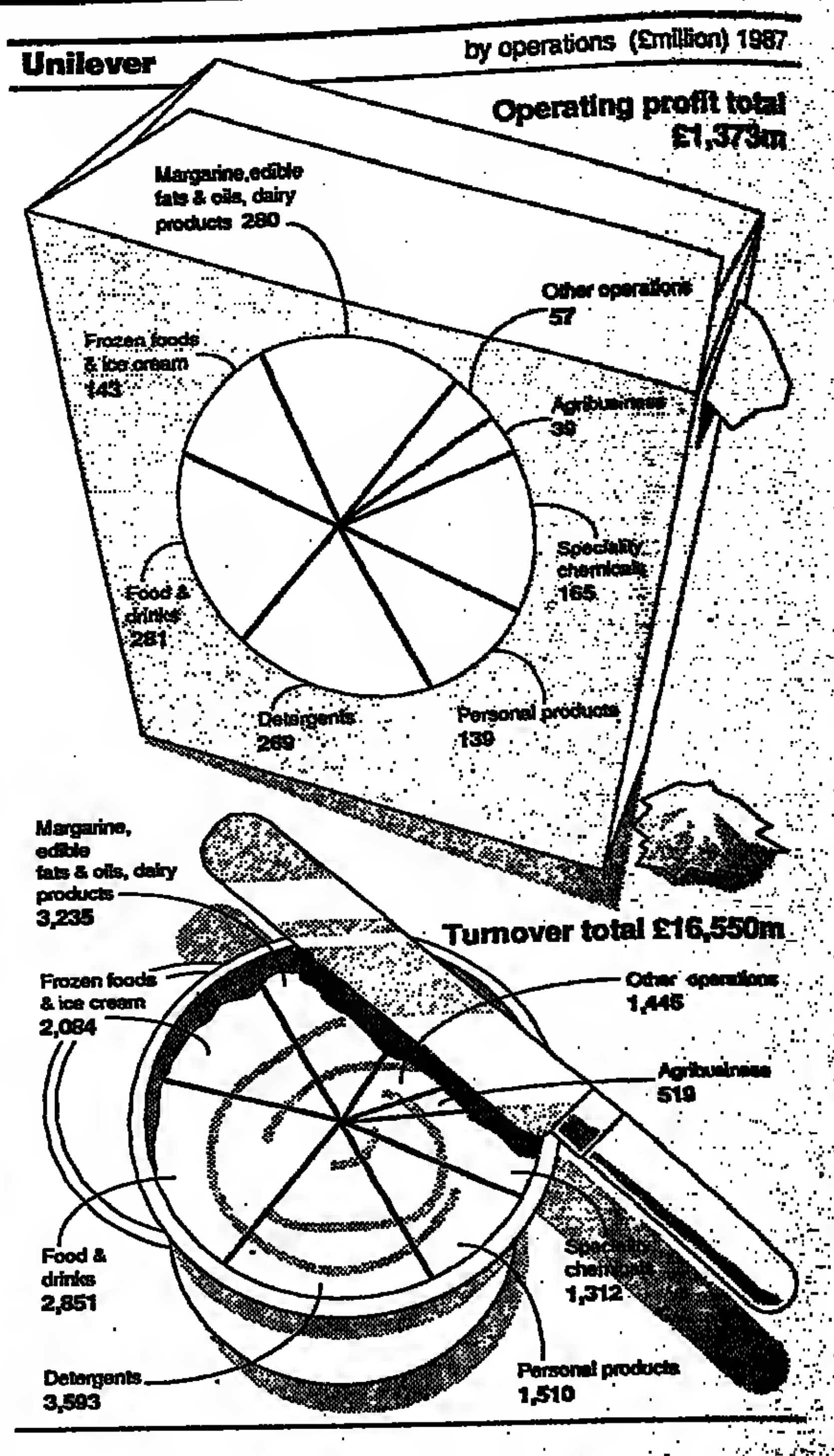
Targets must certainly include the acquisition of companies and brand names, especially in the US, through which the company can enter with authority the market for fresh and chilled convenience products with high added-value. In Europe frozen food franchises such as the Birds Eye name in Britain could provide the proper vehicle, but it has no such interests in the US, where Sara Lee and Campbell have just the cachet Unilever needs.

In the developing world it has long-term plans to apply Old World technology to local staples such as rice so as to introduce the variety, convenience and health benefits of processed foods to consumers there in much the same way as Unilever built its business in Europe and the US.

The long view has been a group characteristic of the group from the beginning of this century when William Hesketh Lever, the founder, established his first palm oil plantations in the east and planted his first overseas soap factory in Germany.

FitzGerald was still at school in 1962 when Angus, marketing toiletries in France, sat on the group's first committee to plan strategy for what was already seen as the inevitable development of an open European market. Angus, himself, was still in shorts when Unilever was digging its Far Eastern foundations. Now he is playing a pivotal role in the completion of both grand designs, supported by a sense of history which has assisted Unilever to its present position and given it the clearest view of its destiny.

Further articles in the series will appear in the Management and Technology pages next week.



OBSERVER

GEC's man in reserve

■ One of the less noticed facts about the possible bid for GEC is that GEC's own board sports a veteran of the biggest-ever buy-out in the US: F Ross Johnson, chief executive of RJR-Nabisco, the food and tobacco group which has just fallen to buy-out specialists, KKR, after the most spectacular auction of the lot.

Johnson was brought into GEC last year at the suggestion of Ronald Grierson, the vice-chairman. Grierson was chief executive of the Industrial Reorganisation Corporation in the late 1960s and it was the IRC which backed Arnold (now Lord) Weinstock in his merger of GEC, AEI and English Electric.

Grierson is also a familiar face in American as well as British boardrooms. He holds directorships at Chrysler, W. R. Grace and, not surprisingly, RJR-Nabisco.

On the assumption of GEC's continuing independence, Johnson's presence could be increasingly valuable as the big British electronics group builds up its presence in the US. The GEC board looks to him for advice on potential acquisitions.

Johnson told Fortune International recently that there are three things you learn at your mother's knee: "Tell the truth, cash is king and play by the rules." The experience of the KKR affair had taught him that two of the rules did not apply to Wall Street. But he says he still tells the truth.

Real banger

■ The official report of the European Parliament's recent debate on transport records Ben Patterson, the MEP for Kent West, welcoming a grant of £20m for the county's roads. Patterson was talking about the advantages of the Channel Tunnel to what some people call the Garden of England.

The report goes on to record an intervention by Madron Seligman: "I would like to remind Mr Patterson that the sausage is also affected by the tunnel problem." Colleagues subsequently asked Seligman what he meant. An official correction has now been issued: "For 'the sausage' read 'West Sussex'". Seligman is the MEP for that constituency.

Sweet tooth

■ A tip for employees of County NatWest, where Howard Macdonald is about to take over as chief executive.

A Dome Petroleum manager, who worked under Macdonald during the Scotsman's five-year stewardship of the troubled Canadian energy company, used to keep a fully-stocked jar of wine gums outside his office on his secretary's desk. "It was a simple lure," the executive recalls. "It meant that he would come down to my office every day that he was in Calgary."

Italian scene

■ London theatre may be going through a dull patch at present – musicals collapsing all over the place – but the stream of art shows worth seeing is turning into a flood. At the Royal Academy yesterday people were queueing to get into Italian Art in the 20th Century even before it had officially opened.

That was possibly because the Italians had issued too many private invitations. The show is sponsored by Alitalia and Fiat, and the Italians are still trying to make up for the cancellation of their President's state visit to Britain just over a year ago. Still, it started with a splash.

"And Bonzo says good-bye as well."

The exhibition opens officially on Saturday and runs to April 9. And while you may conclude that Italian art of the 20th century is not what it used to be, the show is certainly comprehensive and there is a roomful of Modiglianis.

Odds on gilts

■ Down in Sleepy Hollow, otherwise known as the UK gilts market, the minions have turned a little macabre. One primary dealer in gilts, the newly-named NatWest Gilts, has been taking bets on which of the remaining 21 primary dealers will be the next to pull out.

Punters are allowed to bet only on who will be the next to leave the market. On this basis it would appear that CL-Alexander Laing & Cruickshank is the dealer voted most likely to quit with odds of 6-4.

The market, however, appears to know something that the people at Alexanders do not. Alexanders is about to become a primary dealer in Eurosterling securities and says that it is also hiring more staff.

The odds quoted, however, say something about how the punters see some of the bigger names in the market. Nomura and Daiwa, the two Japanese companies which have been the only new entrants since October 1986, carry odds of 150-1.

Of the grand old names of the market, Warburg Securities is quoted at 90-1, Greenwells at 70-1 and BZW at 50-1. Kleinworts follow Alexanders with odds of 6-1 and James Capel is at 15-2.

No amnesty

■ There is a tradition in Japan of granting amnesties from all sorts of crimes on momentous occasions. Immediately after the war, political prisoners were beneficiaries. More recently, offenders of political financing laws have been the lucky ones on such occasions as the reversion of Okinawa.

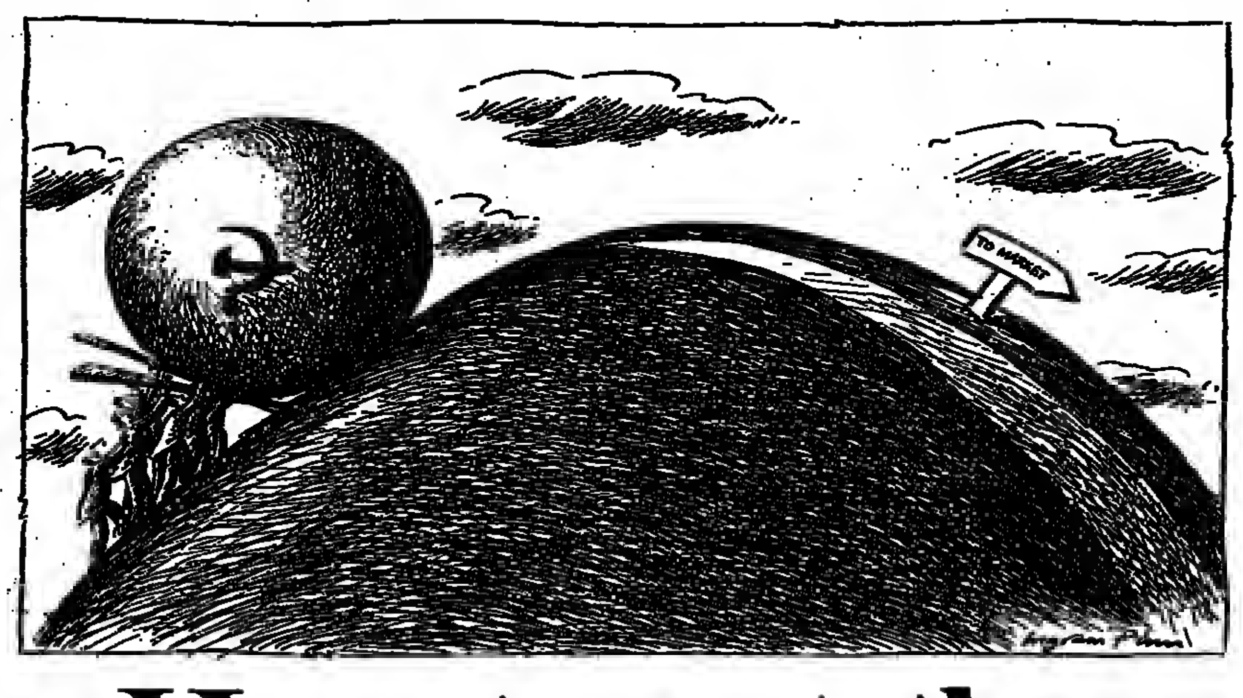
Thus, after Emperor Hirohito's death, the question has arisen of whether Kakuei Tanaka, the former Prime Minister who was convicted for taking bribes from the Lockheed aircraft company in the 1970s, might be pardoned. With the Recruit political fund-raising scandal still simmering, Noboru Takeshita, the present Prime Minister, has apparently decided that such a move for his old mentor would not go down well with the public. He has told reporters that amnesty has never applied to bribery cases. Those involved in the Recruit case have been warned.

Overheard

■ "In the old days you had to speak at least four languages to get a job in a good European hotel. Now you have to speak at least four languages to stay in one."

Jan Winiecki assesses the obstacles which stand in the path of reform in Soviet-type economies

How to get the ball rolling



A recent joke in the Soviet Union offers the following definition of socialism: the longest and most tortuous road from capitalism to capitalism. This is as good a starting point as any other for a consideration of economic change in the Soviet system.

If we want to cut the road short and make it less tortuous, then the first thing to be considered is the sum total of necessary initial changes. The experience both of failed reforms in Soviet-type economies (let us call them STEs) and of attempts to achieve outward orientation in some less developed countries (LDCs) teaches us that there is a "critical mass" of changes that must be made at the beginning to get things moving towards the market system.

Western readers familiar with the experience of those LDCs which have succeeded in turning their economies outward should keep in mind that in Soviet-type economies the critical mass of initial changes has to be larger than in LDCs, for two reasons. First, the market institutions and instruments in the LDCs, however distorted, were much more developed even at the start of the reform process than they are now in STEs. Second, linkages between economics and politics under authoritarian regimes – for example in South Korea or Chile – have never been so extensive (and peculiar) as in the Soviet system. Thus, very specific measures should be included in the Eastern European reform package.

In the case of economic/political linkages, an elimination of the *nomenklatura* (Communist apparatchiks' privilege to appoint managers at all levels of economic management) is the crucial, though politically most difficult, component of the critical mass. Elimination of the *nomenklatura* is not an end in itself. It is simply a prerequisite to establishing some sensible property rights in place of the chimera of "social" ownership.

Specific proposals in this respect vary. This writer has his own preferences, but they are far less important than two requirements that ought to be met whatever the choice. Ownership of that part of the "post-state" sector which was not privatised earlier should be made as exclusive as possible to avoid the dissipation of owners' income (well recognised by property rights' theorists). Property rights should also be easily transferable in order to allow the newly created financial market to play its role as an institution allocating resources to more efficient firms. It is precisely for these two reasons that Yugoslav-type self-management, with its non-exclusive, collective ownership, should be avoided.

Next comes the liquidation of institutions of the antediluvian age. Elimination of planning boards at all levels and of intermediate layers of administrative control, dismantling state monopolies of supply and purchase, abolishing rationing institutions – all this would of necessity cover much wider areas than in outward-turning LDCs.

Lastly come more familiar measures: the freeing of domestic prices and finding proper (that is marginal) exchange rates. "Price reforms" pursued so far have often misled external observers of the East European (or Chinese) scene because westerners took for granted that prices had really been freed, while, in fact, they had simply been raised by decree, creating what is known as ratchet inflation. Whenever some prices were "freed," they were set, for the future, according to some cost-plus formula which resulted in "freed" prices following the decreed prices upwards and re-establishing old relativities at a higher absolute level.

Genuine freeing of prices first results in prices going upwards, as every enterprise seeks higher equilibrium prices for its own goods. But next, many prices fall, as buyers' budget constraints limit purchases and that raises sellers' inventories (and costs). Such a solution has not been tried in STEs, however. East European economic policymakers, who think they can find equilibrium prices for, say, colour television sets while freezing prices for, say, meat at below equilibrium level, simply do not do their homework properly.

Although the appropriate measures are well-known to those acquainted with outward-oriented reforms in LDCs, the need to take them quickly is even greater in STEs. So is the need to cut short the time span between both sets of price liberalisation measures (for domestic prices and exchange rates). The usual argument for finding as quickly as possible one'a own undistorted comparative advantages and being able to shift resources towards them is valid here, too. There is, however, a more compelling argument for doing it speedily.

It is often forgotten that central planning left these countries with the most highly concentrated economies anywhere in the world. Therefore, cutting the time needed between freeing domestic prices and establishing proper exchange rates would reduce the period of inflation caused by post-STE oligopolies and the parallel period of a distorted pattern of profitability. It is advisable, then, to begin with auctions for domestic enterprises and households to ensure the so-called internal convertibility of domestic currency ("premium rationing") and then to proceed to external convertibility of the exchange rate proper.

Both phases altogether should not take longer than two years. Proposals – such as the most recent Polish one – to extend the premium rationing phase to 5-7 years borders on the ridiculous. Its authors have learnt little from international economic theory: nor do they seem to know any more about their own economies. Caution should, however, be exercised to ensure a proper sequencing of the external liberalisation. There should be a slower (and controlled) freeing of capital movements than goods movements.

No East European country, whether a persistent tinkerer with the economic system or a Johnny-come-lately in the reform game, has even approached the critical mass the main components of which were briefly outlined above. All these ingredients are necessary, though, if things are really to start moving.

There are other measures which, although not essential, could greatly facilitate the process of change. Probably the most important is indexation. All STEs will begin their shift towards the market system with a high level of inflation. This will be initially further increased after the freeing of prices. Now, if changes in the inflation rate happen, it takes time for economic agents to adjust themselves to changed rates of spending growth. As Milton Friedman rightly stresses, indexing both helps to avoid distortions in *relative* prices and reduces the danger of a wage explosion. In an indexed economy, bargaining is about real values, not widely dispersed nominal values. If a critical mass of changes reinsured by indexation is supported by monetary correction to wring out excess liquidity from these economies, the transition process would be made smoother still.

To these measures suggested by economic theory, some other less conventional ones may be added. As I have suggested elsewhere, if the *nomenklatura* cannot be beaten it can still be bought out. Party apparatchiks and high level bureaucrats (or most of them) should be offered high compensation for leaving their positions, which would then be abolished. However reluctant they may be, they might become more willing to consider the offer if pressed both by a forceful ruling group intent on change and by a continuing – or even accelerating – decay observable everywhere in the Soviet world and affecting both the ruled and the rulers.

So far I have discussed purely internal measures that could be implemented without any external support (except, perhaps for a stand-by foreign exchange facility made available at the time of establishing a marginal exchange rate). This is not an oversight. There are, indeed, few important external inputs, if any, to the process in question (excluding, of course, the Soviet threat to changes in other East European countries – now markedly smaller than in the past).

As far as the West is concerned, large-scale government, or government-guaranteed, loans will not help. They may even do harm if they postpone the much-needed reallocation of resources to both peaceful and more efficient uses.

What might help is the process that foreign aid experts call "institution-building." The change towards a market system has to entail both the conversion of the state sector and the expansion of the private sector. Western support for small business development banks, credit unions, innovation fostering centres, insurance companies, and so on, would establish a financial infrastructure for the nascent or expanding private sector. Inculcating business competence and culture through teaching centres and international exchanges financed by Western governments would help as well.

A few other external inputs to the transition process could be suggested, too. Altogether they might play the useful role of seed money – at a fraction of the cost of 1970s-style reckless lending. And yet, in spite of their usefulness, they weigh less than the demonstration effect – the fact that the West has already won the competition between economic systems.

The author, an independent analyst from Warsaw, pursues research in comparative systems and East European economies. He also teaches at the Catholic University of Lublin.

LOMBARD

Monetarism reborn

By Martin Wolf

"FOR ECONOMIC forecasters, 1988 will go down as the *annus horrendus*. It was the year they all got it wrong. And not just a little bit wrong, but spectacularly wrong." So wrote Christopher Smallwood in the Sunday Times recently. A day before, Rodney Lord wrote in the Times: "As Mr Gavyn Davies (of Goldman Sachs) concedes, this is a year economic forecasters would prefer to forget. Without exception they failed to anticipate the rapid rate of growth in the world economy in general or the British economy in particular".

We are witnessing the birth of a self-exculpatory myth, for it is untrue that everyone got it wrong. Moreover, there is a deeper reason for these denials than just the desire to preserve reputations. The forecaster who got 1988 right relies on a view of the world that the entire British economic establishment (including the Treasury) believed was dead and buried. But the spectre of broad money has come back to haunt them.

Consider the Treasury's compilation of independent forecasts of February/ March 1988. The averages of 11 forecasts for 1988 (with the range in parentheses) were: GDP growth of 2.7 per cent (2 to 3.2 per cent); retail price inflation at 4.2 per cent in the year to the fourth quarter (3.8 to 4.7 per cent); short term rates of interest at 8.9 per cent in the fourth quarter (8 to 9.7 per cent); and the current account deficit at minus £4.2bn (minus £3.2bn to £5.5bn).

Meanwhile, the Treasury's own forecasts were very close to the average of the independent forecasters, with GDP growth of 3 per cent, retail price inflation of 4 per cent in the year to the fourth quarter; and the current account at minus £4bn.

In the event, GDP growth is unlikely to be much below 4 per cent and may be considerably higher (though we will only know if the Statistical Office manages first to sort out the statistics); retail price inflation was 6.4 per cent in the year to November; short term interest rates were 13 per cent at the end of the year; the current account deficit has been estimated at £13½bn in the 11 months to November alone. The truth is that almost all forecasters were closer to one another than to the outcome.

The exception was the monetarist, Tim Congdon, who produced the following forecast last February (while working at Shearson Lehman): GDP growth of 3½-4 per cent; retail price inflation at 6½ per cent in the year to the fourth quarter; short term rates of interest at 12 per cent in the fourth quarter; and the current account deficit at minus £6bn. With the exception of the current account (on which the forecast was less inaccurate than all the others in the Treasury compilation) this forecast was clearly spectacularly right.

The present conspiracy of silence about Mr Congdon's performance is dangerous. The expansion of demand in the UK that began more than two years ago is the cleanest test imaginable – in real life – not merely of the relative weight of fiscal and monetary determinants of demand (given the tightness of fiscal policy) but of the currency versus the banking approaches to monetary analysis (currency being, until recently, the one relatively well-behaved monetary magnitude). To the disinterested observer, the lesson seems inescapable. 20 per cent per annum growth of credit could not be explained away for ever as no more than the fruit of financial innovation.

Growth of credit does have effects, it appears, first on asset prices and ultimately on expenditure, outpnt and income. Nor can governments evade responsibility for those effects, because it is they who determine the relevant rates of interest in a monetary system underpinned by a publicly-controlled central bank.

If the economic establishment is to learn from what has happened in the UK economy it must first have the honesty to accept that the forecasts of those who emphasised broad money (and had the moral courage to stand outside the consensus in so doing) have been proved right in 1988. As Mark Twain would have said, the report of monetarism's death looks like an exaggeration.

LETTERS

Takeovers and GEC

From Mr Edgar Palamountain.

Sir, You refer (January 10) to the influence of leveraged bids, spreading from the US, on the vulnerability of large companies.

With regard to GEC it is also surely worth making the more specific comment that the introduction of consortium finance has added a new dimension to the takeover movement.

Bearing in mind always that certain influential parties – bankers, lawyers, advertising agents – have a strong interest in promoting takeovers (the more "hostile" the better), and that making bids is obviously more fun than making widgets, one can only predict an ever more active market in companies, conducted in and across all countries whose rules permit it.

The transactions costs involved will inevitably make the participants less competitive with their rivals in countries whose rules do not.

You do well to raise the "wider question; what is all this restructuring for?" Certainly it would seem to have little to do with the interests of shareholders, let alone the promotion of a responsible share-owning society.

The time has surely come to call a halt, and take a much harder look than anyone has taken so far at the implications of a development which has – pretty clearly – got out of hand.

Edgar Palamountain,
Wider Share Ownership Council,
Juxon House,
94 St Paul's Churchyard, EC4

'Wage gap must begin to close too'

From Miss DeAnne Julius.

Sir, By using an analytical framework which takes insufficient account of Britain's linkages to the international economy in both goods and factor markets, Mr Frank Blackaby (January 11) mistakenly attributes the UK's inflation problem to its recent wage trends. He therefore prescribes exactly the wrong remedy: a long period of slower growth.

This "no growth please, we're British" attitude is the classic Keynesian response to overheating demand in a closed economy with low supply-side elasticity.

The reality today in Britain is that labour productivity has finally accelerated above the rate of our European and US competitors. The prodnctivity gap is beginning to close – and so must the wage gap, or international labour mobility will drain the UK of its best performers.

Bank of England figures show that in 1987 and the first half of 1988 prodnctivity increased faster than wages so that the real labour cost per unit of output *fell* by 1 per cent per year.

We should welcome this catch-up of UK wages and productivity, not brand it as the source of inflation. The higher wages and profits resulting from productivity gains have led to a surge in both consumer demand and investment.

In the short run, these will drive the current account into deficit. But in the longer run, the UK's investment boom is necessary to provide the sustained higher growth – based on non-oil sectors – which can further increase living standards and restore external balance through the supply side.

In an open economy, inflation can best be contained by a steady exchange rate transmitting continnal competitive pressure. It would be tragically short-sighted to stamp on Britain's growth just as it develops the roots needed to sustain it.

DeAnne Julius
Director of Economics,
Royal Institute of International Affairs,
Chatham House, SW1

Investment allowances have a dual purpose

From Mr Roy Grantham.

Sir, In its review last November of the recovery of British manufacturing industry, the Financial Times stressed that UK producers have become exceedingly risk averse. It is that failure to stimulate manufacturing industry, which still languishes near 1970 output levels, while our competitors have increased their output by 30 to 70 per cent, that makes the import gap rapidly widen whenever the Government seeks to restore real growth to the British economy.

The abolition of initial investment allowances by the Chancellor did little to encourage the investment necessary to restore manufacturing industry to the vital role that is called for with the fall in North Sea oil exports.

Regrettably, investment allowances gave the greatest benefit to capital intensive industry and were not as well focused as they should have been.

At this time of renewed economic difficulty the Chancellor's first objective should be to stimulate the economic forces which can overcome our difficulties by creating additional wealth – rather than by diminishing wealth production which high interest rates and an overvalued cnrrency achieve. The Chancellor should be looking at a new form of allowance for industry related to new investment which actually increases the output of the organisation, rather than new forms of producing the same amount at less cost. Clearly costs are important. Any new investment should aim to reduce costs but the national interest involves an increase in output as well.

Where equipment is being replaced, it will be relatively easy to devise a scale of higher initial allowances for investment related to the additional production available from the new equipment to be installed. Equally, where companies are starting up, or where a company is expanding its output by an investment which enables it to produce new products, it should be able to claim an increased initial allowance based on the increase in value of its production in one year compared with another.

Thus, at a relatively low cost, we should be able to introduce a mechanism which will concentrate the minds of our industrialists on the steps necessary, in the general interest, to overcome our existing difficulties by expansion rather than by contraction.

Roy Grantham
General Secretary,
APEX, (Association of Professional, Executive, Clerical and Computer Staff),
22 Worple Road, SW19

Astra v. BSB satellite transmissions

From Mr Andrew Neil.

Sir, Raymond Snoddy's article, "Satellite Group Plans Flotation" (January 7), says that British Satellite Broadcasting could link with the proposed Irish satellite system to produce 10 television channels which would "be easily received in both countries."

It is my understanding that under the regulations laid down by the 1977 World Administrative Radio Conference (WARC) the transmission of the Irish satellite could not be received in London or the UK "home counties" on the 25cm antenna which is currently being so vigorously promoted by BSB. Thus consumers would have to buy a second antenna to receive the 10-channel package proposed by BSB – hardly an easy or economical proposition for viewers.

For consumers to be assured of the maximnm possible choice of channels in the era of satellite broadcasting, the only solution is the Astra dish, which can without modification pick up the dozens of stations which we expect to be transmitted in the years ahead on the existing and future Astra satellites.

This is an important point because recently BSB has made claims that its system represents the state of the art in satellite television. In fact it is clear thet BSB's technology is based on a 12-year-old idea of how best to organise satellite transmissions.

Astra, on the other hand, represents the real cutting edge because of its ability to produce more channels at a lower cost to programmers and viewers. It is worth noting that since the 1977 WARC not a single commercial direct broedcasting system based on its technical parameters has succeeded, whereas versatile medium power satellites of the type being used by Astra are proliferating rapidly around the world.

Andrew Neil,
Sky Television,
31-36 Foley Street, W1

FINANCIAL TIMES

Friday January 13 1989

HK tightens laws on securities trading

By John Elliott in Hong Kong

HONG KONG is to introduce controversial laws aimed at tightening its securities markets, criticised for lacking ethics and professionalism at the time of the world stock market crash in October 1987.

A bill is to be published today to establish a Securities and Futures Commission and to introduce new controls over the markets. These will include powers for the commission – which will have an annual operating budget of HK$140m ($17.9m) – to intervene in suspect firms' affairs and to suspend them or revoke their registration.

The measures are part of the Government's response to an inquiry into the markets conducted last year by a committee under the chairmanship of Mr Ian Hay Davison, former chief executive of Lloyd's of London, the insurance market.

However, a row has developed between the stock exchange and the Government over the commission's powers because the stock exchange believes its own responsibilities for self-regulation will be duplicated and undermined.

This hinges on brokers' complaints that the commission, which they will be required mainly to fund through a levy on transactions, is unnecessarily large and expensive.

"It seems that there will be duplication of effort with the commission, even though we now have a professional stock exchange council and a professional, experienced chief executive," said Mr Alan Smith, chairman of the exchange's committee on the bill.

"The size of the commission's budget adds strength to that fear," he added.

The bill will be debated in Hong Kong's legislative council during the next few weeks, when any changes will be considered.

The Government has modified some proposals contained in an earlier draft so that appeal hearings against commission rulings will be semi-independent and existing brokers will not have to re-register under the new laws. Provisions for searching premises and requiring statements have also been modified.

Bullish markets shrug off a shady past

John Elliott examines the latest attempt to rebuild markets' international standing

AS Hong Kong prepares to move from a rather flat Year of the Dragon to the superstitiously more perilous challenges of the Chinese Year of the Snake, the colony's stock markets and government are gearing themselves up to shake off the misery and stigma of the October 1987 world stock market crash and subsequent corruption scandals.

The markets have started to move during the past few days with a traditional rally preceding Chinese New Year on February 6. The sharp upwards movement reflects post-Christmas enthusiasm about the colony's booming property market and general economic prospects.

Share prices have risen dramatically to four consecutive post-crash highs, with the Hang Seng index closing last night at 2,879, which is still far below the pre-crash levels of almost 4,000, but well up on last year's performance. There is considerably more sustained buoyancy than has been evident since the 1987 crash closed the stock exchange for three days and caused a HK$2bn ($255m) collapse of the futures exchange, drawing attention to markets' shortcomings.

Today another major event takes place aimed at rebuilding Hong Kong's international standing when the Government publishes a bill to set up a new watchdog for the securities and futures markets. Details of the bill, which is causing concern among brokers that the market will be over-regulated by an ambitious bureaucracy, were announced last night by the Government.

"Our aim is to ensure that Hong Kong fully measures up to the standards required of major international financial centres so that we attract the international investing community," Mr Piers Jacobs, the Financial Secretary, said.

The watchdog's job is to help wipe out Hong Kong's international reputation as a casino with flexible and often dubious oriental trading practices and to ensure that the stock exchange council will not again be described as "an inside group which treated the exchange as a private club, rather than a public utility."

That outspoken criticism was levelled at the exchange in May last year by a report of a government-appointed Securities Review Committee under the chairmanship of Mr Ian Hay Davison, former Lloyd's of London chief executive. He said the exchange staff was "ineffective, lacking adequate knowledge and experience" and "insufficiently independent of the governing committee." Mr Ronald Li, former chairman of the exchange, and seven of his colleagues are now facing corruption charges.

The first stage of the reforms came in September when a new stock exchange council was elected, including people from international firms such as Jardine Fleming and Wardley Thomson. Mr Francis Yuen, formerly of Citicorp, a young new chief executive, was also appointed.

Amid some controversy and rancour, this has broken the hold of the colony's small brokers. Both Mr Yuen and his council have taken actions which have shown their determination to bring more regulation and respectability to the exchange's share flotations and dealings. But efforts to revive the futures exchange have not yet succeeded.

Mr Robert Owen, a former diplomat and head of Lloyds Merchant Bank, has been appointed the Government's securities consultant and has taken over the existing Securities Commission in advance of heading the new watchdog, which is called the Securities and Futures Commission and is being set up by today's bill.

Under the bill, Hong Kong's laws controlling the markets are being strengthened for the first time since the early 1970s. This includes measures such as powers of official intervention in activities of suspect financial firms, and rights of access to firms' premises, along the lines of provisions already provided for controlling banks.

Later the commission will take over a new, but as yet not implemented, ordinance requiring disclosure of interests by shareholders, and other measures to curb insider dealing which is prevalent among Hong Kong's family-controlled companies.

No-one is suggesting that all operations in Hong Kong's stock markets are now being run along the strictest uncorrupt lines, but changes have been made. Asked last night whether there was "more dirt" to be uncovered, Mr Jacobs replied: "We have already done a lot of cleaning up in the last months and I would not expect to find much more dirt – but maybe one or two cobwebs."

Glyn Genin

Shaking off its casino image: The trading floor of the Hong Kong Stock Exchange

Libya in talks with US oil groups

By Tony Walker in Cairo and Andrew Gowers in London

LIBYA has reopened high-level contacts with US oil companies as part of a bid to establish a working relationship with the incoming Bush Administration and to end the three-year-old official freeze on US business involvement in the country.

But oil industry representatives and Western officials in Tripoli and elsewhere believe the shooting down by the US of two Libyan jet fighters last week and the continuing row over Libya's alleged construction of a chemical weapons plant has for the time being halted progress towards normalisation.

Before last week's dogfight over the Mediterranean, representatives of several of the five US oil independents involved in Libya – Conoco, Marathon, W.R.Grace, Occidental and Amerada Hess – are understood to have held a series of meetings with senior Libyan officials in Vienna, Malta, London and Tunis.

The companies, which lobbied heavily in Washington last year for improved relations with Libya, were told that Libya would like them to re-establish a presence in the country. Their assets there were frozen after President Ronald Reagan imposed sanctions on Tripoli in January 1986. However, observers believe that recent events make it less likely that Washington will move swiftly to ease the sanctions in coming months.

Colonel Muammer Gadaffi, the Libyan leader, has also stepped up pressure on the companies and the US Administration by indicating that he will not renew the three-year "standstill agreement," under which the assets were frozen, when it expires next June. This is widely seen as an implicit threat to nationalise the US companies' assets in Libya, which may be worth as much as $4bn.

Oil industry representatives say Libya has not spelled out what it will do with the assets when the agreement expires, but they believe it is using the threat of nationalisation to try to persuade Washington to reduce its pressure on Tripoli.

The US is known to be anxious to prevent Col Gadaffi from benefitting from a seizure of the assets. A substantial sum of Libyan money is also frozen in the US.

Libya's National Oil Corporation has traditionally had close relations with the US independents through production sharing agreements, and wants to regain access to their technology and expertise. A desire to encourage them to return may explain Col Gadaffi's restrained response to last week's air clash.

In an interview with the newspaper USA Today on Sunday, the Libyan leader predicted that relations with the White House under President George Bush would be "very sane, very wise."

Background, Page 4

Stoltenburg assurance of openness after 1992

By Anthony Harris in Washington

DR Gerhard Stoltenburg, the West German Finance Minister, gave a strong assurance in Washington yesterday that the unified European market of 1992 would be an open one, and he urged the US and other trade partners to regard it as an opportunity rather than a threat.

"Businessmen will no longer have to adapt to a variety of requirements to gain access to a multitude of individual markets," he said. "American experience in a large-scale internal market should stand you in good stead."

Dr Stoltenburg, who had earlier had lengthy informal discussions with Mr Nicholas Brady, the US Treasury Secretary, said that exchange rate stability should now be achievable, and rejected the idea that a further dollar devaluation would be necessary.

Future progress with US trade, he said, would depend on progress with the internal balance, which was assured, and on the export orientation of US industry.

The bulk of his speech was a strong endorsement of the existing pragmatic approach to policy co-operation among the industrial countries, rather than a rigid or automatic approach.

He claimed that the progress made would create the conditions necessary for the Third and Fourth World debtor nations to earn the foreign exchange they required.

French police trap ETA chiefs

By Peter Bruce in Madrid

FRENCH POLICE have delivered one of the biggest blows in years to the Basque terrorist organisation ETA by capturing its leader, Mr José Antonio Urruticoechea, alias Josu Tenera, and the ETA executive's only woman member, Ms Elena Beloqui Reja.

The two were caught in a police trap in Bayonne on Wednesday night. In other raids, the French captured a further 14 active Spanish Basque terrorists and French supporters. The arrests have delighted the Spanish Government, which has quickly begun extradition proceedings.

Mr José Corcuera, the Spanish Interior Minister, said the arrests had been the result of close co-operation between the Spanish and French authorities. "Josu" and "Elena" apparently left their hideaway after hearing news reports about the other arrests.

Mr Urruticoechea, 38, a former bank clerk, is believed to have been the brains behind a number of bombings in Spain, including one which killed 21 people in a Barcelona hypermarket in 1987. He is said to have become ETA's overall commander after the arrest late in 1987 of Mr Santiago Arrospide Sarasola.

Despite its relief at the detentions, the Spanish Government was holding its breath yesterday in the hope that the band's remaining commanders would not break their first ever unconditional ceasefire – albeit just for 15 days – made a few days ago.

That offer is rumoured to have come after a secret trip recently by Mr Corcuera to talk to exiled ETA leaders in Algeria. Mr Pierre Joxé, the French Interior Minister, paid a quiet visit to Spain in November, adding fuel to speculation after the ceasefire offer that much interrupted talks between Madrid and ETA leaders might be revived.

ETA has said, however, that its latest ceasefire offer had been made to encourage talks on the so-called KAS alternative, a series of demands Madrid would find impossible to accept. The demands include the incorporation of Navarre into the Basque Country, the removal of the Civil Guard and other Spanish police units, an amnesty for ETA prisoners and the right to self determination for the Basque country.

G7 likely to convene soon

Continued from Page 1

the process of international cooperation.

G7 officials said the planned meeting, under discussion since shortly after the election of Mr George Bush as the next US President, would primarily be a chance for non-US ministers and central bankers to become better acquainted with Mr Brady, who will continue as Treasury Secretary in Mr Bush's Administration.

Although Mr Brady attended last September's annual meetings of the International Monetary Fund and World Bank in West Berlin, he was newly in office and left most of the talking to Mr Alan Greenspan, chairman of the Federal Reserve Board, the US central bank.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	15	59	Dubrovnik	S	15	59	Malta	F	16	61	Rhodes	S	16	61
Algiers	S	17	63	Edinburgh	F	06	43	Manchester	S	08	46	Rio de J'o	C	31	88
Amsterdam	C	06	43	Faro	F	16	61	Manila	F	33	91	Rome	F	08	46
Athens	F	16	61	Florence	S	07	45	Melbourne	C	17	63	Salzburg	Fg	00	32
Bahrain	F	17	63	Frankfurt	C	08	45	Mexico City	F	23	73	San Francisco	C	16	61
Bangkok	F	32	90	Funchal	F	17	63	Miami	F	25	77	Seoul	C	03	36
Barcelona	S	13	55	Geneva	C	05	41	Milan	F	07	45	Singapore	C	31	88
Beirut	F	12	54	Gibraltar	R	71	52	Montreal	C	-4	25	Stockholm	C	08	47
Belfast	F	04	39	Glasgow	C	06	43	Moscow	C	02	36	Strasbourg	S	08	46
Belgrade	C	05	41	Guernsey	F	09	48	Munich	S	07	45	Sydney	C	21	70
Berlin	F	03	37	Helsinki	C	03	37	Nairobi	F	25	77	Taipei	F	18	64
Biarritz	S	15	59	H. Kong	C	18	64	Naples	S	13	55	Tangier	F	18	59
Bombay	S	29	84	Innsbruck	S	05	41	Nassau	F	20	68	Tel Aviv	F	07	45
Bordeaux	F	12	54	Inverness	F	00	41	New Delhi	F	17	63	Tenerife	C	17	63
Brussels	C	09	45	Islamabad	F	17	63	New York	C	06	43	Tokyo	R	11	52
Budapest	C	01	34	Istanbul	F	08	46	Nice	S	14	57	Toronto	C	-3	27
B. Aires	F	30	86	Jakarta	R	31	88	Nicosia	F	18	65	Tunis	S	15	59
Cairo	C	17	63	Jersey	C	09	48	Oporto	C	13	55	Valencia	S	14	57
Cape Town	S	25	77	Jo'burg	C	26	79	Oslo	C	04	39	Venice	Fg	06	43
Caracas	C	31	88	Lux	F	05	79	Paris	C	10	50	Vienna	C	02	36
Casablanca	S	16	61	Lisbon	S	14	57	Peking	F	02	36	Warsaw	C	06	43
Chicago	F	06	44	London	R	10	50	Prague	Fg	-1	30	Washington	R	03	37
Cologne	S	09	46	Los Angeles	F	16	64	Reykjavik	F	-2	28	Zurich	F	04	39
Copenhagen	C	06	43	Luxembourg	C	07	45								
Corfu	S	15	59	Madrid	F	12	54								
Dallas	C	07	45	Majorca	S	16	64								
Dublin	F	06	43	Malaga	S	16	61								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Bush fills last two key Cabinet posts

Continued from Page 1

The selection of Mr Bennett will please US conservatives made uneasy by the moderate caste of most of the Cabinet appointments.

As Education Secretary, in a post President Reagan had originally promised to abolish, Mr Bennett made his mark by vigorously promoting educational excellence and attacking the educational establishment, the Supreme Court, tuition loans defaulters and even opponents of the US-backed Nicaraguan contras.

He visited and taught in more than 100 schools, amassing a collection of critics, who said he needlessly politicised nonpolitical issues about which there had been bipartisan agreement.

Mr Bennett is believed to have offered himself for job to the vice-president, for whom he had campaigned, and Mr Bush then offered the post to Senator Dennis DeConcini, an Arizona Democrat, who turned it down.

Mr Bush also announced several major appointments to the State Department, selecting Mr Lawrence Eagleberger, a close aide to former Secretary of State Henry Kissinger, as Deputy Secretary of State; General Vernon Walters, UN ambassador, as ambassador to West Germany; and Mr Henry Catto, former Pentagon spokesman, as ambassador to Britain.

Mr Bush's Cabinet was to meet for the first time last night.

Despite efforts to make it ethnically and sexually diverse, it is predominantly white male, with two Hispanics, one woman and one black among the 14 Cabinet secretaries and one woman as trade representative.

THE LEX COLUMN

Trusting to luck and the MMC

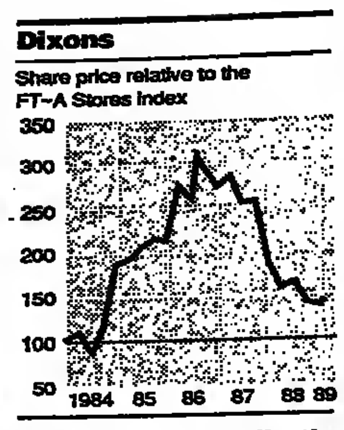
There is something very odd going on when a bid reference produces a 7p rise in the target's share price, especially after the bidder has raised its stake to the legal limit. Granted, GEC effectively put its offer price up 20p by buying in the market at 245p yesterday morning. But it would now take at least four months for a fresh bid to be concluded, and Plessey's close at 233p does no more than discount the time value of 245p over that period. Plainly, the market regards clearance by the Monopolies and Mergers Commission as a dead certainty, or at least sees the risk as balanced by the chance of a still higher take-out price.

There is something to be said for that view. As Sir Gordon Borrie made clear yesterday, the OFT is concerned purely with the effects on competition in the UK, which in this case are self-evident. Whether it is in the national interest to ignore these effects is a question for the MMC. Again, GEC/Siemens made no attempt at plea-bargaining at the OFT, offering only plainly unenforceable promises to keep Marconi and Plessey's defence business separate. The MMC will see the real haggling, presumably resulting in the disposal of some of the defence interests – even if there might be problems in finding an acceptable buyer.

None of this amounts to certainty, nor does it take account of the parallel investigation going on in Brussels. The £220m spent by GEC/Siemens in the market yesterday is a grand gesture of confidence; but as the past 12 months have shown, no-one is particularly good at judging competition policy these days, either in the market or among companies themselves.

Hammerson

Compared with some other recent escapades in the property world, Hammerson's defence document is relatively cautious. It has not given any hostages to fortune by putting a figure on the premium its properties might command if the company was to be broken up, but it has thrown out a few tasty morsels which suggest that it would be closer to £13 than £10.65. That said, if Hammerson's defence is to be believed, 1988 marked a watershed in its affairs. Net assets per share, which have increased by a third in the previous five years, have suddenly jumped 64 per cent in a single year; and a 47 per cent rise in



the payout is virtually the same as the entire increase between 1983 and 1987.

However, debating property revaluations is less important in the current battle than trying to work out the hopes and ambitions of Standard Life, which now holds the key to the company's future following its £11 per share dawn raid earlier this week. It is hard to see how Rodamco could stand a chance without offering well above £11, and the price has already probably frightened off any prospective white knights. The weakness in the Hammerson share price is indicating a stalemate, but that might be underestimating Standard Life.

Raeburn/Romney

Lazard's transformation of the frumpy Raeburn and Romney investment trusts into something that looks like an open-ended offshore umbrella fund to everybody except the UK taxman is one of the neatest ways yet of closing the discount. Shareholders who are fed up with the indifferent performance of the trusts can get out at almost asset value, while others can choose their own combination of geographical spread and indexed and managed funds, retaining the tax advantages of the investment trust. The Pru and other big investors, who can do the same in-house, should be happy to take the money, but enough smaller institutions and private investors may stay to create a reasonably large new vehicle.

Now that Lazards has made the surprising discovery that the Inland Revenue does not care where an investment trust is domiciled, other investment trust managers who lie awake at night worrying about their discounts could well move to Guernsey. The loss of the ability to gear up or buy unquoted companies may deter some; others may refrain for the bad reason that they do not want the size of the pool to shrink. Those who wait until they are really vulnerable before acting should consider how likely a shareholder list of spivs and arbs would be to stick with it.

Dixons

Ever since Dixons' profits hit the slide some 15 months ago, the question has been how far its problems are specific either to itself or to its own retailing sub-sector. While it remains unclear how far the company itself is to blame, it is increasingly apparent that electrical retailing is likely to get worse before it gets better; and that while the sector has special problems relating to the gap in new products, it also represents in extreme form the effects of Mr Lawson's concentration on the home-building consumer.

The result in Dixons' first half has been a 10 per cent fall in sales per square foot, and a corresponding gearing effect on margins, which are now under 3 per cent at the pre-tax level compared with nearly 8 per cent in the year 1986/7. It looks as if the 15 per cent fall in pre-tax profits will at least be repeated in the second half, and it is quite possible that the decline will continue into the next year again. The expectation of a bid, implicit in the rating of nearly 11 times earnings, may be misguided – this early in the downswing, at any rate.

TSB

Investors in TSB, if not its management, can be forgiven for looking rather sceptically at the hype surrounding the flotation of the Abbey National. Once upon a time similar great things were being promised for the TSB, but as the latest figures show, it is taking a long time to deliver the goods. For the second year running, its pro-forma earnings share have risen by over 6 per cent, and its performance is paltry compared with the other High Street banks.

However, if the TSB is right and the Abbey National is where it was 10 years ago – in terms of business development – then maybe Abbey investors should think of selling their free shares and switching into TSB on a prospective yield of 7 per cent and multiple of 5¼. Its balance sheet is one of the strongest and cleanest of any bank in the world, and unlike Abbey National it is no longer largely dependent on a single product.

FINANCIAL TIMES
COMPANIES & MARKETS
Friday January 13 1989

INSIDE

Biting the heads off jelly babies

It's time to marshall the liquorice allsorts men. Bassett Foods, manufacturer of some of Britain's best-known sugar confectionery, including jelly babies, faces a £63m hostile bid from Procordia of Sweden. Mr "Bev" Stokes, chairman, says Bassett is not for sale and "neither is it looking for a white knight." Nevertheless, Procordia has put the company into play and other confectionery groups, including Cadbury Schweppes and Rowntree, are tipped in the City as likely to enter the fray, reports Lisa Wood. Page 23

Trusting in originality

In one of the more original reconstructions in the investment trust sector recently, the Romney and Raeburn trusts are to be turned into an open-ended Guernsey-based investment company. The novel feature is that this new vehicle expects to have UK investment trust status, thus retaining certain significant tax advantages. Page 22

Ups and downs of Zambia's industrial landscape

As one door closes another opens. Copper, the mainstay of Zambia's economy, accounts for about 90 per cent of foreign exchange earnings but production is declining as ore becomes more difficult to extract from the country's 50-year-old mines. Meanwhile, black Africa's first example of a Californian high-tech agricultural system could well pick up some of the foreign exchange slack. In two articles Nicholas Woodsworth looks at the importance of these industries to Zambia's well being. Pages 19 and 26

The good, the bad and the tired

The stock markets of France, West Germany and the Netherlands celebrated the closing month of last year with active business and new 1988 highs. At the other end of the spectrum, the Spanish and Swiss bourses had their thinnest trading of the year. The Spanish market fretted about the country's economy and the Swiss retired exhausted from the excitement over Nestlé's liberalisation of registered shares. Page 40

Tight time for loose knitting

Fashion has proved a fickle mistress for Europe's yarn producers. The likes of Coats Viyella of Britain and Phildar and Prouvost of France rode a tide of popularity for easy-to-knit, bright, baggy sweaters in the mid-1980s. Since then, however, the hand knitting market has been in the doldrums. Page 18

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)					
Rises			Moulinex	127.4	+ 11.1
Bay Vereinsbank	407	+ 15	Docks de France	2857	+ 245
Bayer Hypobank	382	+ 14	Synthelabo	511	+ 38.8
[illegible]	245.8	+ 5.3	UFB-Locabail	430	+ 31
[illegible]	193.5	+ 8.5	Falls		
[illegible]	267	+ 25	[illegible]		
Falls			Off 00	121	− 3.9
[illegible]	272.5	− 1.8	TOKYO (Yen)		
NEW YORK ($)			Rises		
Rises			[illegible]	630	+ 100
[illegible]	124	+ 1½	[illegible]	1200	+ 150
[illegible]	35½	+ 1½	[illegible]	2200	+ 270
[illegible]	33½	+ 2½	[illegible]	1220	+ 120
[illegible]	50	+ 2	Falls		
[illegible]	171½	+ 5	Denyo	1080	− 90
Falls			[illegible]	1650	− 140
[illegible]	58½	− 1½			
PARIS (FFr)					
Rises					
[illegible]	2661	+ 267			
New York prices at 12.30.					
LONDON (Pence)					
Rises			[illegible]	535	+ 17
[illegible]	407	+ 10	STC	277	+ 9
[illegible]	543	+ 21	Savoy A	520	+ 17
Bassett Foods	425	+ 15	Sotheby's Hldgs	1355	+ 50
Cranford Eng.	224	+ 15	[illegible]	256	+ 10
De La Rue	403	+ 17	Sun Life	925	+ 12
[illegible]	683	+ 18	Turnbull Scott	228	+ 11
Greene King	486	+ 25	York Chems.	285	+ 16
[illegible]	257	+ 14	Falls		
[illegible]	180	+ 3	GWR Grp.	625	− 10
Laing Props.	473	+ 13	Hammerson A	873	− 16
Lucas Inds.	555	+ 11	Lonrho	335	− 15
[illegible]	378	+ 9			
Nobo Grp.	236	+ 10			

Why defence is the key to the battle

Hugo Dixon and Terry Dodsworth look at the continuing struggle between GEC and Plessey

THE FUTURE of Britain's defence electronics industry lies at the heart of the decision to launch a Monopolies and Mergers Commission investigation into the GEC-Siemens bid for Plessey.

The consortium had hoped to convince the Office of Fair Trading that it could erect an impermeable Chinese wall between GEC's defence activities and the acquired Plessey activities. But once the OFT became convinced that it would be impossible to construct a permanent, watertight division of this kind, a reference became inevitable.

This decision effectively puts the bid proposals back at a similar point to the argument that raged over competition in the UK defence industry two years ago. At that time, the MMC blocked GEC's hostile offer for Plessey mainly on the grounds that the Ministry of Defence would be faced with one large defence electronics contractor. The Ministry, it argued, would have no domestic alternative for many of its key requirements.

GEC had hoped to avoid a repetition of this issue by its deal with Siemens, the West German electronics group, which will be taking and equal part in Plessey's UK defence business if the deal goes through. Siamens, it had argued, would ensure that the former Plessey interests did not play second fiddle to GEC's own Marconi defence subsidiary.

The MoD would continne to have two determined competitors in those fields where it has them at the moment; and although these would be connected through a series of interlocking shareholdings, there would be no collusion except, perhaps, in some research areas.

Plessey has consistently contested this argument on the grounds that it is hard to see the logic of combining the UK's two defence activities without trying to achieve some manufacturing and other economies between them. In going along with this view, Sir Gordon Borrie, tha Director General of Fair Trading, has also taken the attitude of the MoD into account; and the MoD has again, as in 1986 when the last bid was turned down, been broadly opposed to the combination of the two companies.

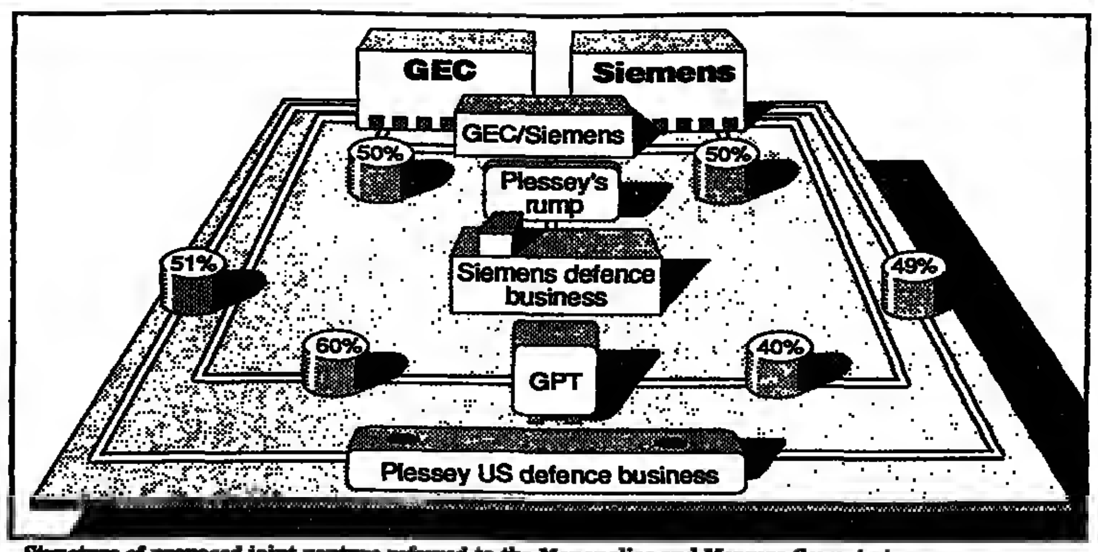
On the other hand, the MoD has indicated that this time round it might be prepared to consider a deal if there were disposals of parts of defence activities where it particularly wants a rival bidder. This idea of agreeing to a restructuring of a business in the process of a bid - the so-called plea bargaining concept - is one that has been gathering force in Britain of late. It was mentioned on the very first day of the GEC/Siemens offer, when Lord Weinstock, GEC's managing director, indicated that he would be willing to talk about areas which might cause concern in Whitehall.

The OFT, however, seems not to have taken the plea bargaining issue seriously because, in its view, there was never a concrete proposal on the table from GEC/Siemens.

Three other main issues have been raised at the OFT stage of the investigation. First is the question of competition in telecommunications. In one key sense, the new bid for Plessey is different from tha last in this area, because Siemens would emerge as a major partner in the UK telecommunications industry. But the OFT, and all the UK authorities concerned from the Department of Trade and Industry to the Office of Telecommunications, are agreed that GPT, the telecommunications joint venture formed between GEC and Plessey in the wake of the 1986 takeover battle, needs an international partner of the stature of Siemens.

Second is the business of traffic control systems, which the MMC will look at alongside defence. Plessey and GEC dominate this industry in Britain, so the marger would leave the Department of Transport and local authorities without alternative UK suppliers. But the OFT clearly feels that this problem is a minor one that could be easily circumvented.

Third is the question of the European element involved in the bid. GEC has made much of this, claiming that it is leading the way towards restructuring the European electronics industry. The OFT clearly feels that there is a case to be made for this, in which the narrow interests of competition in Britain have to be balanced against the wider issue of Europe's competitive position in important growth industries.



Structure of proposed joint venture referred to the Monopolies and Mergers Commission

This issue will also be looked at in the European Commission's own investigation, announced yesterday. Because of the way the Treaty of Rome is framed, the Commission's main area of interest relates to the question of a consortium bid - whethar two powerful competitors are ganging up on a third. But there are powerful voices in Brussels that have been arguing for some time that Europeans companies need to regroup against common enemies from outside, so this is likely to influence thinking.

With both the Monopolies Commission and the European Commission are conducting their investigations, three months of gruelling negotiations are in store.

GEC/Siemens seems likely to abandon its attempt to convince the regulatory authorities that Plessey's defence business can be effectively separated by Chinese Wall from Marconi, GEC's own defence business.

Instead, the thrust of its argument in the coming weeks will be that Europe's electronics industry needs to be restructured if it is to compete against the Japanese and Americans. The implication will be that this will more than compensate any loss of competition in the UK market.

The Anglo-German consortium no donbt still harbours some hopes that this will be enough to convince the regulators to give its bid the green light. However, given the objections from the Ministry of Defence to the bid in its present form, it seems fairly clear that GEC/Siemens will soon have to get down to plea-bargaining.

Since both the MOD and the consortium have indicated that they would be prepared to engage in such a process, there are clearly the makings of a deal. What is still unclear is precisely what the MOD would demand and whether this would be acceptable to the bidders.

The investigations in the UK and Europe will give Plessey and Lazard Brothers, its merchant bank, a valuable three months to devise ways of escaping GEC/Siemens clutches.

Lazard will certainly continue to try to put together a consortium bid for GEC as a defensive strategy. It should be known within a matter of days whether it has been able to construct such a consortium. But a bid for GEC would inevitably be kicked into the Monopolies Commission, where it could be investigated in tandem with the GEC/Siemens bid for Plessey if it materialised quickly enough.

A key objective of any Lazard bid for GEC would be a commitment from one member of the consortium, most probably AT&T of the US, to buy a slice of GPT, the 50-50 telecommnnications joint venture between GEC and Plessey, at a sufficiently high price. This would put a price tag on GPT which GEC/Siemens would have to match, if and when their bid cleared the regulatory hurdles.

If Lazard failed to put together a consortium, Plessey's chances of remaining independent would be reduced. However, Lazard presumably has several fall-back positions, including a search for a white knight, which could conceivably include Siemens.

Chevalier clears way for Arnault to take control at LVMH

By Paul Betts in Paris

MR Alain Chevaliar resigned yesterday as chairman of strifetorn Moet Hennessy-Louis Vuitton (LVMH), the French luxury products, champagne and cognac conglomerate, clearing the way for Mr Bernard Arnault, the young financier, to take power today.

Mr Chevalier has headed the group since Moet Hennessy and Louis Vuitton merged in June 1987, but LVMH has has been plagued by rivalry among its major shareholders.

Yesterday he cited this conflict as the reason for his resignation.

An LVMH board meeting today is expected to confirm the appointment of Mr Arnault, the head of the Financiere Agache group, as the new chairman of the LVMH executive board. Mr Arnault's father is already chairman of the group's supervisory board.

Mr Chevalier's resignation had been widely expected after the recent increase by Mr Arnault and his partner Guinness, the British drinks group, of their shareholding in LVMH. Jacques Rober, the holding company 60 per cent controlled by Mr Arnault and 40 per cent by Guinness, now owns about 40 per cent of LVMH shares and 30 per cent of the voting rights in the company.

Mr Chevalier, who has run Moet-Hennessy for the past 18 years, resigned with his chracteristic style and elegance yesterday.

He acknowledged that there had been major differences between Mr Henry Racamier, the head of the Louis Vuitton part of the business, and himself over the strategy of LVMH.

While Mr Racamier was keen to develop the group through acquisitions, Mr Chevalier admitted he preferred to adopt a more cautious approach to external growth.

However, he defended his management which he claimed had proved successful in terms of the group's operating results and stock market performance. LVMH would report a 50 per cent rise in net earnings for 1988 while the stock price of the company had steadily increased

But he also acknowledged that LVMH could not continue to be managed on the current basis and that ultimately the company would have suffered. He also acknowledged that the top management problem of the group would be simplified by his departure.

However, LVMH's management problems are unlikely to be resolved with the departure of Mr Chevalier since Mr Arnault will still have to navigate between Mr Racamier and the Louis Vuitton clan, his partner Guinness and the Moet-Hennessy shareholders.

Bond says he will not bid for Lonrho

By Bruce Jacques in Sydney, Ray Bashford and David Waller in London

MR ALAN BOND, the Australian businessman, said yesterday that he has "no current plans" to take over Lonrho despite amassing a 21.6 per cent stake in the the London-based international trading group.

The chairman of Bond Corporation broke the three-month silence about his intentions, which he has maintained in the face of fierce attacks by Lonrho, during an interview with a television station he owns in Sydney.

"We are not necessarily seeking control of the company," he said. "Certainly, Lonrho is not an acquisition target for us at the present time."

The Takeover Panel is examining the comments and is expected to hold discussions with Samuel Montagu, Bond's merchant bank advisers. Tha panel has sometimes prohibited for several months bids by people who have made statements similar to that by Mr Bond.

Lonrho shares closed down 15p to 335p, after falling to 325p, as speculation of a takeover next month subsided.

Analysts suggested that Mr Bond's move could be designed to take the heat out of the Lonrho share price before buying additional shares.

Mr Bob Carpenter of Kitcat & Aitken said Mr Bond was showing a "substantial" paper loss on his stake, having bought tha shares for an average price of between 370p and 380p. "If he is going to come out at a profit, he will have to sell on to a would-be bidder. And a bidder would be much more interested in a 29 per cent stake than a 21 per cent stake," Mr Carpenter said.

Mr Bond expressed surprise at the hostile reaction of Mr Tiny Rowland, chief executive of Lonrho, to the acquisition of the holding and again dismissed Lonrho's critical 94-page analysis of Bond Corporation as "rubbish". "I thought he (Mr Rowland) was quite prepared to see us become a major shareholder and maybe even negotiate a bid for tha whole company," Mr Bond said.

"We're satisfied as our half-year results come out at the end of January and our full year's results at the end of the year, it (the Lonrho report) will be shown to be just the piece of rubbish that I've said it was," he added.

Mr Terry Robinson, a Lonrho director, said Mr Bond's comments supported his company's belief that the Bond group could not afford to launch a bid.

Mr Robinson disagreed with Mr Bond about the meetings with Mr Rowland. "Mr Rowland did not want Bond to build up his holding. Mr Bond clearly misinterpreted the situation if he thought Mr Rowland was ever likely to negotiate a bid with him."

Mr Bond said the Bond Corporation group debt had been cut substantially to abont A$5bn ($4.3bn) and he hoped this would encourage a review of the group's credit-rating. He said the company was planning a further A$1bn in asset sales this year.

He said the recently acquired Bell Resources had cash receivables which, by March, would allow the total repayment of its remaining debt of about A$350m.

Lonrho court moves, Page 6; Bond Philippines offer, Page 19

Hammerson property revalued at £2.48bn

By Nikki Tait

HAMMERSON, the British property group contesting an unwanted £1.3bn ($2.3bn) bid from Rodamco, the Dutch property company, yesterday unveiled its updated portfolio revaluation, showing net assets per share of £10.65.

This compares with the 650p a share figure given for end-1987. However, because of Hammerson's "rolling valuation" system, that earlier figure was not the result of a full external valuation.

Along with the net asset figure, Hammerson said it expects pretax profits of £74m for 1988, an increase of 36.4 per cent, and earnings per share of 31.2p, up 33.7 per cent. The board is forecasting a final dividend of 14p, making a total for the year of 17p – 47.8 per cent up on 1988.

The £10.65 level was slightly below some of the market's wilder expectations and Hammerson "A" shares fell yesterday from 889p to 873p. The heavier voting ordinary shares gave up 25p at 855p. Both levels are still well above Rodamco's offers of 780p and 818p respectively.

The Hammerson valuation has been done in accordance with the RICS guidance notes by a number of surveyors under the supervision of Jones Lang Wootton. It includes five development properties with a value of £145.2m.

The valuation puts a figure of £2.48bn on the Hammerson portfolio. Jones Lang Wootton has also calculated that "additional costs which would be incurred by a purchaser in acquiring the properties individually at these values" would amount to £59m – or another 36p a share.

If the group's properties were sold, the capital gains liability is estimated at about £355m.

Yesterday, Hammerson also claimed that there was additional worth in the portfolio. For example, River Plate House in London, sold for £140m, would have been valued at about £106m.

Rodamco claimed thet tha uplift in net asset value was "quite out of line" with increases seen at other large companies in the sector. It said it was still considering its next move and has a week to revise its offer.

Background, Page 24; Lex Page 12

Cerus gives terms for Dumenil bid

By George Graham in Paris

CERUS, the French holding company of Mr Carlo de Benedetti, the Italian financier, will today unveil the terms for its bid for control of Dumenil Leble, the financial group of which it already owns 27 per cent.

The bid, to be presented by Banque Indosuez on Cerus's behalf, will offer 2.5 Cerus shares for every one of Dumenil's, valuing the financial group at FFr4.57bn ($721m) at Tuesday's share price, the last before dealings in the two companies were suspended on the Paris stock exchange.

Financiers involved in the deal say the parity of 2.5 to 1 represents the average of the two companies' share prices over the second half of 1988. A comparison of revalued net asset value per share - higher at Cerus - and of return on capital - slightly higher at Dumenil - would have given a parity of 2.35 Cerus shares for each one of Dumenil.

At Tuesday's close, however, the Dumenil share price stood at FFr1175, 2.58 times the Cerus price of FFr456.

The 26.8 per cent stake Cerus holds directly in Dumenil is valued in the company's balance sheet at FFr1.163bn. In addition, CIR, Mr de Benedetti's main Italian holding company and the principal shareholder in Cerus, owns 4.7 per cent directly in Dumenil, bought over the last three months.

Comparisons of net asset value for the bid used the book value of the Dumenil stake, not the estimated economic value of FFr2.14bn given by Cerus in December.

Board meetings of the two companies are due to be held today.

The combined group, may resembling Midi before its merger with Axa, with a capital base of FFr10bn

INTERNATIONAL COMPANIES AND FINANCE

US study delivers blow to Zantac

By James Buchan in New York

A NEW Swedish drug heals ulcers more quickly and effectively than Zantac, prodnced by Glaxo of the UK, according to an important research study published yesterday.

The study, which was published yesterday in the New England Journal of Medicine, is the latest salvo in what could be a ferocious battle for the $5bn world ulcer market between Glaxo, Astra of Sweden and Merck of the US, which will market the new drug in the key US market.

The wide-ranging study, which covered 602 patients in 13 countries, says that a new drug marketed by Astra in part of Western Europe and known as Omeprazole healed stomach ulcers faster and prevented recurrent symptoms better than ranitidine or Zantac.

"Ws conclude thst in the doscs used, Omeprazole is superior to ranitidine in the treatment of benign gastric ulcers," the study said.

Merck, the world's largest pharmaceuticals company, confirmed yesterday that it was in the process of seeking Washingtou's approval to market the drug under the brand name Losec. The Rahway, New Jersey company is expected to present evidence on the drug to a team of outside adviser to the US Food and Drug Administration on March 15.

Ompeprazole is currently sold in Sweden, the Netherlands, Switzerland and Luxembourg as well as Singapore.

Analysts and drug industry experts are uncertain about the threat posed by Losec to Zantac, which has transformed Glaxo from a medium-sized drugs group into one of the UK's most successful companies. Zantac, with sales of some $1.87bn last year, has displaced Tagamet, a drug produced by SmithKline Beckman, as doctors' preferred prescription drug for ulcers.

"It will be very interesting to see this battle of the giants," said Ms Eile Gibson, a drug analyst at Merrill Lyncb in London. "Glaxo has a lot of money and it will use it to defend its market share." New York analysts such as Mr Samuel Isaly, of S.G. Warburg, and Dr Jonathan Gelles of Werthelm Schroder, pointed out that there are question marks over Losec's safety and these had been the subject of public dispute between Astra and Glaxo.

The study, which was co-ordinated and financed by Astra's Haessle subsidiary, found that Omeprazole in 40mg doses healed ulcers in 80 per cent of the patients in four weeks while the result for ranitidine was only 59 percent. The figures at eight weeks were 96 per cent and 85 per cent and at six months 62 per cent and 58 per cent.

Drexel aims to recruit former SEC chairmen

By James Buchan in New York

DREXEL BURNHAM Lambert, the scandal-beset Wall Street investment firm, is seeking to hire Mr John Shad, former chairman of the Securities and Exchange Commission, in a bid to rehabilitate itself with US regulatory authorities.

Drexel Burnham confirmed yesterday that Mr Shad, who has been US ambassador in the Netherlands since leaving the SEC in 1987, has been approached about becoming chairman. Another former SEC cbaiman, Mr Roderick Hills, is being sought as u director.

The capture of Mr Shad, 65, would be a great relief to Drexel Burnham, which settled America's greatest ever criminal securities fraud investigation with a plea bargain just before Christmas.

The firm will plead guilty to six felonies and pay $650m in fines and penalties but must also gain approval of the plea bargain from the SEC. It is known to be insisting ou tigher management control at Drexel Burnham, particularly at its large and lucrative junk bond business.

One view is that the appointment of Mr Shad, a doughty campaigner against Wall Street malpractice while at the SEC, would be an elegant way of appeasing Mr David Ruder, his successor as SEC chairman, and Mr Gary Lynch, the commission's enforcement chief. Between 1981 and 1987, Mr Shad presided over a strong campaign against insider trading which led to the couviction of Mr Ivan Boesky and a gruelling inquiry into Drexel Burnham.

The choice of Mr Shad would mark full-circle for Mr Fred Joseph, Drexsl Burnham's embattled chief executive who has been struggling to find a respected figure from outside the firm in an effort to convince the SEC and the capital markets that Drexel Burnham is a changed place. On Wednesday, the firm announced that talks with Mr Howard Baker, who came in as White House chief of staff after the Iran-Contra scandal, had broken down.

Chemical Banking unveils strong earnings growth

By Roderick Oram in New York

CHEMICAL Banking, holding company for the sixth largest US bank, has reported strong earnings growth for last year reflecting a number of favourable factors including improved corporate finance and bond trading and the turnround of its Texas bank subsidiary acquired 20 months ago.

Net profits were $753.6m, or $12.02 s share, against a net loss of $853.7m, or $16.68, a year earlier when Chemical made a $1.1bn addition to loan loss reserves for Third World debt. Net interest income increased to $2.5bn, including $161m from past-due Brazilian loans, from $2.21bn a year earlier.

Fourth quarter net including the Brazilian component was $288.5m, or $4.66 a share, against $229.6m, or $3.83 a year.

In addition to higher profits from operations, the year's higher net figure also reflected pre-tax gains of $53.8m from the settlement of pension obligations, $41.3m from the sale of non-strategic businesses and booking of the Brazilian interest.

Other positive factors were gains from venture capital activities, asset securitisations and sales and a decline in provisions for loan loss reserves to $363.7 from $1.49bn a year earlier. Negative aspects were smaller gains from sales of investment securities and higher income taxes.

Texas Commerce Bancshares, a leading Houston bank forced by heavy loan losses in the real estate and other sectors into being acquired by Chemical, reported net income of $11.2m for the fourth quarter against $6.8m u year earlier and a profit for the year of $2.1m against a loss of $120.3m. Chemical consolidated TCB results from May 1, 1987.

Chemical's spread on total investable assets widened to 3.72 per cent last year from 3.41 per cent in 1987. Its primary capital ratio improved to 9.68 per cent from 7.58 per cent and its assets contracted to $67.3bn at December 31 from $78.2bn a year earlier, reflecting disposal of some non-strategic businesses and non-core assets.

Laurentian in joint stock plan

By Robert Gibbens in Montreal

LAURENTIAN Mutual Insurance, parent of Canada's third largest integrated financial services group, is becoming u joint stock company.

Laurentian, based in Québec City, and one of the country's oldest mutual life firms, set up two separate holding companies in the early 1980s to develop its affiliates in Canada, the US and the UK. Both became publicly held companies. These affiliates include Imperial Life Assurance Company, Toronto, Laurentian's largest single unit, and Imperial Trident in Britain. Laurentian is now building up a chartered banking unit on a national basis and has expanded life operations into Asia.

Total group assets are around C$10bn and C$16bu including funds under administration.

Under industry deregulation Laurentian Mutual have used preferred stock issues to raise new money for expansion. But now it is being restructured into a stock company and renamed Laurentian Life Insurance Company. It plans to raise up to C$50m by issuing part of the new stock to the public by year end. Current policyholders get first crack on the stock.

GE and Toshiba set up venture

By Roderick Oram in New York

GENERAL ELECTRIC of the US and Toshiba of Japan announced yesterday a wide-ranging joint venture for lighting products which, as a first step, will build a fluorescent tube plant to the US with output aimed at both domestic and Japanese markets.

The companies, number one in lighting to their home markets, formed the venture to share the costs of research, manufacture and market development in "this increasingly competitive global lighting market," said Mr John Opie, GE Lighting's senior vice president.

They will equally fund the $25m plant at GE's 46-year-old lighting facility at Bucyrus about 70 miles from Cleveland, Ohio. Annual production of 20 and 40 watt fluorescent tubes totalling some 40m in number will begin to December, 1990.

GE Toshiba Lighting, the joint venture, will also engage in research and development programmes and develop markets in the Asian-Pacific region.

The US market has become ferocioully competitive in recent years. GE, along with GTE and Philips of the Netherlands, a close second and third in the US well behind it, have all invested heavily in new plant.

Philips, which bought Westinghouse's lighting unit in 1983, mirrors in the US its strong position in European markets. Its competitors say it has slashed its prices to win US volume.

Bear Stearns surges in second quarter

By Karen Zagor in New York

THE BEAR Stearus Companies, parent of the medium-sized Wall Street investment firm, yesterday reported net a surge in profits for the three months ended December thanks mainly to investment banking activity and transactions on its own account.

Net profits for the second quarter were $63.3m or 73 cents a share, compared to $500,000, or a loss of 3 cents a share after payment of preferred share dividends for the same period a year earlier when it lost $96m pre-tax on arbitrage and options during the October Crash.

Revennes for the quarter were $624.6m, up from $442m the previous year. The 1987 figures were restated to reflect a change in fiscal year-end to June 30 from April 30.

For the six months ended December it reported net profits of $83.8m, or 94 cents, on revenues of $1.1bn, compared with $27.4m, or 26 cents, on $906.6m a year earlier.

Mr Alan Greenberg, chairman and chief executive, said that he was "particularly proud that our headcount is approximately the same as it was before October 1987 and we have not eliminated any lines of business." Many other firms had cut back after the 1987 crash.

He added that "we are also proud that the move of our producing departments to Park Avenue has worked out as we expected." Analysts say the move has added $8m to $9m to the firm's quarterly costs.

The company also announced that it will begin a Dutch auction self tender offer for 4m of its common shares, about 5 per cent of the total, starting today and ending on February 10. Shareholders will be invited to tender shares at prices ranging from $12¼ to $14.

None of Bear Stearns' executive officers, including members of its executive committee, or directors intends to tender any shares in the offer. A spokesman said that the firm will not incur additional debt to repurchase the stock.

The last time Bear Stearns executed open market transactions of its common stock was on November 30, when it purchased just under 1.4m shares.

Allegheny rejects accepted bid

By Karen Zagor in New York

IN AN abont-face move, Allegheny Internstional has rebuffed a $812m takeover offer from Donaldson, Lufkin & Jenrette which it had accepted last November. Allegheny, a maker of consumer appliances, has been operating under protection of the bankruptcy courts for a year.

Following a board meeting in which it was decided to reject the DLJ bid, the Pittsburgh-based group yesterday asked the US bankruptcy court to void all agreements with the investment banking concern, clearing the way for it to submit its own plan.

The decision to spurn the offer from the New York investment bank came after DLJ's proposal last weekend to sell two of Allegheny's profitable units to Littlejohn & Levy, a merchant banking group which had originally competed for all of Allegheny.

The Allegheny board was reportedly upset because the new Lufkin-Levy plan would have given Donaldson Lufkin preferred stock in the new company in exchange for cash. Orignally the preferred stock had been earmarked for equity holders.

The beleaguered group last year reported a net loss of $117.7m on sales of $650.8m. Its net profits peaked in 1979 when it reported at $71.5m gain on sales of $1.55bn. Since then the company has been plagued by problems, including the replacement of most of its senior managers in 1986 for alleged misuse of corporate funds.

In an attempt to improve Allegheny's balance sheet, Mr Oliver Travers, who became chief executive officer in late 1986, sold off large blocks of the company to 1987.

Intl Paper seeks go ahead for French bid

By Our Financial Staff

INTERNATIONAL Paper, the world's largest paper producer, yesterday signalled a significant expansion of its European presence by filing for regulatory approval in France to launch a takeover bid for Aussedat-Rey, the European market leader for photocopy paper.

Details of the bid were not disclosed, although the Société des Bourses Françaises specified that the offer covers all of Aussedat-Rey's stock. It then suspended the target company's shares at their Wednesday closing price of FFr612 ($98) each.

Despite the lack of details, Paris stock analysts estimated that the US company's bid would probably be launched at a per-share price bstween FFr650 and FFr700. This would value all the company's stock at between FFr1.95bn and FFr2.10bn.

A senior finance official of Aussedat-Rey said it was too early to say whether the company might approve the bid, although he noted that there had not been any co-operation or other links between the two groups in the past.

The planned offer for Aussedat-Rey follows speculation that the company could be an attractive takeover target for a European concern seeking to expand in France. It is known that the French group has been talking to Torras Hostench, the acquisitive Spanish holding company contrlled by the Kuwait Investment Office, about possible co-operation.

32403	33128	33844	34600	35305	36133	36899	37595	38389	39167	39880	40575	41304
32411	33129	33848	34604	35307	36134	36908	37597	38390	39169	39881	40577	41307
32418	33130	33851	34613	35308	36143	36910	37599	38393	39171	39882	40581	41309
32421	33131	33854	34614	35315	36149	36911	37600	38396	39172	39883	40585	41314
32424	33138	33857	34616	35317	36158	36914	37603	38400	39173	39889	40590	41320
32427	33145	33863	34616	35319	36161	36916	37612	38401	39174	39890	40598	41333
32428	33149	33865	34618	35330	36167	36922	37616	38403	39175	39892	40601	41337
32439	33153	33869	34625	35332	36172	36929	37617	38404	39178	39895	40602	41338
32440	33155	33870	34627	35335	36174	36931	37624	38408	39179	39896	40611	41342
32441	33171	33872	34629	35339	36183	36938	37629	38414	39182	39897	40612	41348
32442	33173	33875	34632	35340	36185	36941	37632	38416	39188	39898	40616	41350
32443	33174	33876	34633	35345	36191	36945	37633	38422	39191	39900	40620	41358
32444	33176	33877	34634	35356	36192	36951	37640	38423	39194	39901	40624	41360
32451	33161	33884	34645	35358	36194	36955	37650	38424	39195	39906	40637	41364
32453	33192	33891	34649	35387	36201	36958	37651	38426	39195	39916	40641	41365
32454	33165	33895	34650	35382	36202	36959	37657	38430	39199	39920	40642	41370
32455	33189	33897	34652	35388	36203	36962	37660	38434	39200	39922	40644	41373
32456	33190	33901	34655	35391	36207	36966	37661	38435	39206	39925	40646	41375
32458	33195	33903	34656	35400	36209	36967	37665	38436	39209	39926	40653	41377
32459	33198	33904	34657	35402	36210	36976	37666	38443	39221	39928	40656	41389
32462	33200	33907	34660	35404	36214	36977	37669	38444	39225	39931	40659	41390
32463	33203	33921	34662	35406	36225	36979	37675	38450	39227	39933	40661	41391
32467	33204	33936	34665	35414	36226	36993	37676	38460	39228	39934	40663	41395
32470	33207	33938	34668	35416	36237	36996	37679	38461	39236	39935	40674	41397

On the Redemption Date, the Redemption Price will become due and payable upon each Bond in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts therein. Interest on the Bonds will cease to accrue on and after the Redemption Date. Payment of the Redemption Price will be made on and after Wednesday, February 15, 1989, upon presentation and surrender of the Bonds, together with all appurtenant coupons maturing subsequent to February 15, 1989 at the offices of any of the following paying agencies:

Bank of America NT and SA
2 Boulevard de la Woluwe
B-1150 Brussels, Belgium

Bank of America NT and SA
25 Cannon Street
London EC2P 4 HN, England
Attn: John Hopper, Settlement Dept.

Bank of America
Bleicherweg 15
CH 8022
Zurich, Switzerland

Bank of America NT and SA
Mainzer Landstrasse 46
P.O. Box 110243
Frankfurt, West Germany

Banque Internationale A Luxembourg
2, boulevard Royal
L-2953 Luxembourg

All bearer bonds surrendered for redemption must be accompanied by all interest coupons maturing subsequent to the Redemption Date. An amount equal to any missing coupon(s) will be deducted from the principal amount.

It is required by the Internal Revenue Service that if you are a U.S. citizen you must provide your Social Security number when submitting bonds for redemption.

AHFC OVERSEAS FINANCE N.V.

By: BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, *as Trustee*

Dated: January 13, 1989

INTERNATIONAL COMPANIES AND FINANCE

Danish insulin groups to merge

By Hilary Barnes in Copenhagen

NOVO Industri and Nordisk Gentofte, Denmark's two largest pharmaceutical companies, announced an agreed merger yesterday with a view to creating a company large enough "to be a major player in the increasingly competitive world market for pharmaceutical products."

The resulting company, to be called Novo-Nordisk, will have a combined turnover of well over DKr6bn ($850m), equity capital and reserves of DKr6.5bn and about 7,350 employees worldwide.

By the latter measure it will become Denmark's second largest manufacturing company.

The two companies together claim well over 40 per cent of the world insulin and diabetes care market, while Novo is the world's leading producer of industrial enzymes and Nordisk is a leading producer of blood coagulants and growth hormones.

This is not a merger of necessity, as both companies are in good financial health. Mr Mads Ovlisen, Novo's chief executive, said: "We think we now have a much safer basis for the expansion which both companies are striving for.... Research and production will be on a much stronger basis for future development."

The merger creates a company which is similar in size to the big Swedish pharmaceuticals manufacturers, Astra and Pharmacia, but it still leaves a big step up to Novo-Nordisk's main rival in the insulin business, Eli Lilly of the US, which has a worldwide turnover of about $3.64bn and more than 25,000 employees.

Nordisk-Novo will be run in tandem by the two chief executives of the merging companies, Mr Ovlisen of Novo and Mr Henry Brennum from Nordisk. Most of the other members of the corporate staff will come from Novo.

The equity in each of the two companies is held predominantly by two foundations. These will also be merged.

By the terms of the merger agreement, shareholders in Nordisk Gentofte will be offared three Novo-Nordisk shares with a nominal value of DKr20 for each Nordisk Gentofte share of DKr100.

The merger will not affect the nominal holdings of Novo shareholders, who will control 60 per cent of the capital in Novo-Nordisk.

The official list price of Novo B shares on Wednesday was DKr280 and for Nordisk Gentofte B shares the price was DKr855. (The A shares are not listed.)

Control of Novo-Nordisk will remain in the hands of the Novo-Nordisk Foundation, which will hold the DKr93m of A shares carrying 10 votes each. The B share capital will total DKr540m. The B shares carry one vote each.

Novo-Nordisk will consist of two large business groups. The first will be the pharmaceuticals group, incorporating the research and development, production, marketing and distribution operations of both the former companies. The second, the bioindustrial group, will comprise chiefly the Novo enzymes business. There will also be a corporate research group and a group comprising other businesses.

ABB clinches Italian deal

By Alan Friedman in Milan and Will Dullforce in Geneva

THE long-awaited merger of the power generation businesses of Italy's state-owned Finmeccanica group with the Italian operations of Asea Brown Boveri (ABB) was signed in Rome last night, creating a company expected to have total annual sales of $1.4bn.

The merger is the most far-reaching move to rationalise the Italian steam turbine, boiler and power plant sector. It will produce four concerns: ABB Ansaldo Componenti, with $800m turnover, will be 60 per cent owned by Finmeccanica and 40 per cent by ABB.

A second company in the transformer business will be 60 per ceot owned by ABB and will have $90m of annual revennes. A third company, to incorporate the Ansaldo-GIE export and power plant business, will be majority controlled by the Italians and a fourth, to handle the electric motor and drive business, is still under discussion.

The new joint company will have 9.4 per cent of the world boiler market, making it Europe's market leader and the fourth ranking in the world. In the steam turbine market the merged company will have 6.7 per cent of the world market, making it the world's ninth biggest such business.

Neither Finmeccanica nor ABB could provide financial details of the transaction yesterday. Both said this was because the terms have not yet been set under which ABB is acquiring the Italian industrial assets of Franco Tosi, a private power generation company to be folded into the new joint ABB-Finmeccanica company.

Mr Percy Barnevik, ABB's chief executive, said the Finmeccanica deal was of great consequence for his group and another important step in the restructuring of the European electro-mechanical industry. ABB would be anchored in two of the four major EC countries, West Germany and Italy, and ready for the planned EC internal market.

Italy offered an expanding market with Europe's biggest demand for generation and transmission equipment in the years to come, Mr Barnevik said. The new company would also have an excellent export base. "When markets (for power equipment) start to open up again, do not underestimate Italy. It can offer reasonable costs, good productivity, sound labour relations, a high level of education and we will bring in the technology."

One of Mr Barnevik's aides pointed out that Italy offered particularly good export financing facilities for countries in Latin America and Africa.

However, Mr Barnevik emphasised that far-reaching restructuring of the Italian factories will be needed. "We have three generator plants, six transformer factories, three boiler and two steam turbine plants, all to be restructured."

ABB and Finmeccanica will start immediately to work out the restructuring details. It could take up to three years to complete, said one ABB executive.

Mr Barnevik said he was confident that "by joining our generator, boiler and turbine plants, we will be able to create a cost-competitive streamlined company and introduce new technology to it."

ABB and Finmeccanica have also been talking to Fiat, the Italian car manufacturer, about a joint venture in gas turbines, Mr Barnevik said.

Last month ABB reported pre-tax earnings of $358m on consolidated sales of $12.15bn for the first nine months

Skandia moves nearer Vesta acquisition

By Karen Fossli in Oslo

SKANDIA, the leading Swedish insurer, yesterday cleared the first hurdle in its attempt to acquire Vesta, Norway's second largest insurance group, by gaining the acceptance of Vesta's board for a NKr800m offer made in December.

To consummate the deal, Skandia must now obtain exemption by Norwegian authorities from a law limiting foreign ownership in Norwegian insurance companies to 10 per cent. Exemption is expected, as Skandia has pledged to comply with Norwegian authorities' requirements to sell Hygea, Vesta's life assurance offshoot, to Norwegian interests.

Last May, Skandia's first attempt to acquire a 25 per cent stake in Vesta foundered when exemption from the law was not secured.

Skandia wants to establish a pan-Scandinavian insurance network. It has 24 per cent of the Swedish non-life insurance business and 33 per cent of the life insurance business. Vesta has 18 per cent of the Norwegian non-insurance market.

A knitted pattern of cost-cutting

Alice Rawsthorn on the decline of Europe's hand-knitting industry

In the closing weeks of 1988, the vast Coats Viyella hand-knitting mill at Salach in West Germany ground to a halt. The mill, with its workforce of 650, is the latest victim of the slump which is devastating the European hand-knitting industry.

Only a few years ago the Salach mill employed 1,000 people and Coats Viyella, like the rest of the European industry, enjoyed an unprecedented boom in demand for hand-knitting yarn. But for the last two years the hand-knitting market has been in the doldrums.

The industry — dominated by Phildar and Pronvost of France, together with Coats in the UK — has been plunged into a bleak era of cuts and closures. The cuts are now almost completed and there is little surplus capacity left. Unless the market revives this year, the industry's prospects will be bleaker than ever before.

The heyday of hand knitting was in the mid-1980s when demand was boosted by the *fashion for bright, baggy* knitwear. These chunky jumpers and cardigans were so easy to knit that a new generation of young knitters emerged. European mills, with their sophisticated machinery, also benefited from the trend towards the complex, crinkly yarns that enabled them to nurture profitable new niches *in the market.*

However, in the autumn of 1986, fashion changed towards a tailored look and knitwear became more classic. The classic jumpers and cardigans were more difficult to knit than the bright, baggy styles of the mid-1980s. The new generation of young knitters cast aside their knitting needles and bought their knitwear from shops instead.

The demand for knitting yarn and hand-knitting patterns dropped dramatically. Moreover the problem of unfavourable fashion was exacerbated by the structural weaknesses of the European hand-knitting industry.

One of the principal problems was over-capacity. The boom of the mid-1980s had encouraged *new players* to enter the hand-knitting market. Dawson International, the leading Scottish textile group, diversified into the industry by buying KSW, one of the larger West German spinners. DMC of France accelerated the expansion of its hand-knitted brands into new European markets.

The over-capacity in manufacturing was mirrored by the diffuse structure of the retail sector which, in most European markets, was fragmented among thousands of independent retailers. When the demand for hand-knitting yarn declined, these independents were very vulnerable.

Even the industry's strengths turned into weaknesses. Behind the folksy *facade of little old ladies* clicking their knitting needles, hand knitting is one of the most advanced areas of textiles in Europe today.

Many other areas of textiles, such as clothing production, are still labour intensive with low levels of automation. When demand declines it is relatively easy for companies in *these areas to cut costs by* eradicating inefficiencies or shedding staff.

However, most of the European hand-knitting mills are highly efficient, having invested heavily in computer-controlled spinning and automated packaging systems. This meant that when demand declined there were fewer obvious inefficiencies to eradicate and the subsequent cost-cutting has been both painful and expensive.

The industry has had no option but to cut costs. The hand-knitting market has fallen by about 40 per cent across Europe since the autumn of 1986. The slump began in West Germany, spread to France and then to *the other markets.*

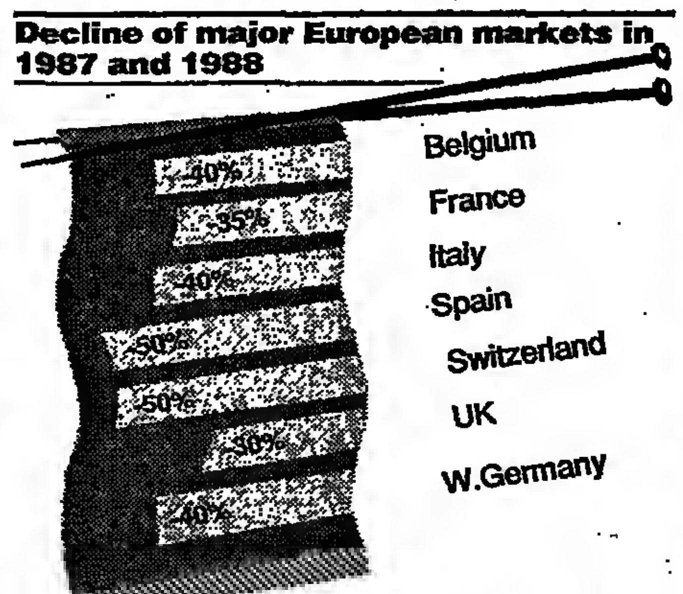
The worst affected area of all has been West Germany. One reason is that it is the largest European market, so the scale of the decline has been steepest. Another is that the concentration of buying power in West Germany among a handful of big wholesalers has made it easy for the Italian, French and *Belgian mills to shift* surplus stock into the West German market.

No one in the industry has emerged unscathed from the slump. Phildar has closed one of its French mills and has reduced its workforce from 3,200 to 2,350 in the last two years. In 1988 alone Coats withdrew from manufacturing in West Germany with the loss of 650 jobs, and cut its UK workforce by 130 to 800.

Sirdar, one of the largest manufacturers in the UK, has seen its labour force fall by 300 to about 800 since the slump began. Recently, Allied Textiles became a significant — and possibly predatory — shareholder in the company.

Some of the smaller players *have beaten a retreat. Last* autumn Dawson sold KSW to its West German management, having despaired of bringing the business back to profit. In the UK, Lister has withdrawn from the market and Tootal has closed one of its hand-knitting companies.

Decline of major European markets in 1987 and 1988



Source : Industry estimates

Initially the cost-cutting intensified the industry's problems by flooding the market with surplus stock, which has since been absorbed. The European industry is no longer burdened by over-capacity and the surviving companies should start to enjoy the benefits of rationalisation.

However, the industry's prospects this year will be dictated by the pattern of demand. So far the indications are confusing. Some markets, such as France and the UK, seem to have stabilised.

There are signs that trends may turn towards hand knitting again. The *"nouvelle hippy"* look adopted by the leading Paris and Milan designers for their new collections has brought baggy, ethnic fashions back into favour for spring and summer this year.

If the look lingers on into the chilly months of the autumn and winter, it might revive demand for the sort of ethnic-inspired knitwear that is easy to knit by hand. And if the hand-knitting market revives, the European companies that have survived the slump will become very, very profitable indeed.

South African insurer in talks for UK stake

By Jim Jones in Johannesburg

SOUTHERN LIFE, South Africa's fourth largest insurance group, is negotiating to acquire a stake in an unnamed British life office.

Negotiations are expected to be completed within a month and are running in parallel with those of Mr Morris Bernstein, Southern's former deputy chief executive who has cancelled plans to emigrate to Australia and who is expected in Johannesburg to become the British company's managing director.

It appears that Mr Bernstein has been negotiating independently with the British insurer for some months, though he has denied it on several occasions.

The proposed acquisition is one of a number by South African group's seeking to diversify out of their own country. Southern is controlled by Anglo American Corporation whose Minorco affiliate is at present bidding for Consolidated Gold Fields of the UK.

Mr Bill Haslam, Southern's executive director, would not disclose the identity of the British company yesterday, though he said Southern hoped to buy an interest rather than full control.

He added the South African Reserve Bank had givan exchange control permission for the purchase through the financial rand market which does not involve an outflow of capital from the country.

Insurance analysts in Johannesburg say the acquisition is likely to becoma another springboard into Europe for the Anglo American group. At the end of March 1988 Southern had total assets of R7.8bn ($3.29bn) and a premium income during the financial year of R1.2bn.

Tha company's official announcement says the acquisition is expected to have little immediate effect on Southern's profits.

Ford chief in Europe moves after 11 months

By Kevin Done, Motor Industry Correspondent

MR ALEX TROTMAN, chairman and chief executive of Ford of Europe for only 11 months, is to be moved to a new post with Ford's North American operations with effect from February 1.

He is to be replaced as chairman of Ford of Europe by Mr Lindsey Halstead, 58, at present vice president of Ford's Latin America and Asia-Pacific automotive operations.

Mr Trotman, Ford of Europe's first British-born chairman and chief executive, who filled the number two European job from 1984 to February 1988 as president of Ford of Europe, has been promoted to a newly-created post as executive vice president operations for the North American automotive side.

He becomes an executive vice president, joining an inner circle of six existing executive vice presidents at Ford Motor in the US from whom the successors will probably be chosen for the present chairman, Mr Donald Petersen, and the vice chairman and chief operating officer, Mr Harold Poling.

Mr Halstead, who joined Ford in 1952, held a series of finance functions for Ford in Argentina and Brazil before becoming Ford division controller in 1971 and supply and distribution manager for Ford's parts division from 1973 to 1975.

Much of his career has been spent in Latin America and he was general manager of Ford of Mexico from 1975 to 1979 and president of Ford of Brazil from 1975 to 1982.

Mr Halstead joins Ford of Europe at a time when its profits are close to record levels in a booming new car market, but when its market share has been slipping.

Last year it was one of the few European car makers to suffer an actual drop in sales volumes with an estimated fall of 1.2 per cent to some 1.466m units, when the total market grew by some 4.6 per cent to a record 12.999m units.

Ford of Europe's market share dropped last year to 11.8 per cent from 12 per cent.

High-tech route into Zambia

Nicholas Woodsworth on investment opportunities in Africa

From the air over Lake Kariba in sontharn Africa, it looks like an enormous experiment in avant-garde art: 25 bright green circles, each a kilometre across, spilled on to the dusty brown Zambian landscape.

The circles are in fact made up of millions of young cotton plants and are the first examples of a high-technology agricultural irrigation system that is well-enough known in California but newly arrived in black Africa. From the centre of each circle a spidery 500-metre-long arm mounted on outsize electrically driven wheels slowly sweeps around like the hour-hand on a giant clock, providing near-maintenance-free irrigation throughout the year.

Centre pivot irrigation, as it is known, could one day provide for much of Zambia's foraign exchange earnings through cash crop exports, and make the country self-sufficient in wheat. For the moment it is proving to be the most attractive foreign investment opportunity in Zambia.

The Gwembe Valley Development Company (GVDC), the concern responsible for the 2,000-hectare irrigated cotton and wheat project on the northern shores of Lake Kariba, was only the first of several companies to have been formed as the result of new types of agreements worked out between international agricultural companies, institutional and private foreign investors, and the Zambian Government.

With a wide range of remittance, tax, and foreign exchange retention incentives now offered, at least six other companies, including the Irish-based Masstock and the British multinational, Lonrho, have negotiated international financing packages to undertake large-scale farming operations in the country.

GVDC's majority shareholder is a UK subsidiary of Lummus Industries of Columbus, Georgia, the largest producer of cotton ginning machinery in the world. Lummus, with a 53 per cent shareholding in GVDC, provided $2.5m in equity as well as a $3.8m bridging loan pending disbursement of loans by two institutions: the International Finance Corporation, an affiliate of the World Bank that lends to private enterprises at commercial rates, and DEG, the West German finance company for investment in developing countries.

Both made loans to GVDC and took equity in it. The IFC lent $3.7m and took a 17 per cent equity share, while DEG lent $2.9m for 12 per cent. The othar two shareholders, Hoechst and Lintco, the cotton manufacturing parastatal, made their equity contributions in local Zambian kwacha.

One innovative aspect of foreign-financed agricultural projects in the country is the Bank of Zambia's involvement in debt-for-equity swaps.

Faced with critical shortages of hard currency, the central bank has accumulated large foreign exchange debts to local creditors. As its chances of honoring these debts in the near future remain minimal, foreign companies seeking local funds for start-up costs have been abla to purchase individual debts for discounts of up to 75 per cent.

Creditors are satisfied to recuperate at least a portion of the foreign currency owed them, while the bank settles the debt transferred to the foreign company in full, but in local currency equivalents.

Using the debt-equity option, GVDC bought more than $5m of discounted dabt. "Without such a facility GVDC would have been a non-starter," says Mr Aubrey Peiris, GVDC group financial director. "Local start-up coets are high and rising."

He points out that the system has advantages for the Government as well: while it discharges its debt obligations with no foreign exchange costs, it is funding operations that will eventually earn large amounts of hard currency.

It is in labour management, however, that GVDC faces its greatest difficulties. Despite offering villagers more than twice the average national wage, few are tempted as there is so little to buy that money has no great value.

FAI gains rest of New Zealand brokerage

By Bruce Jacques in Sydney

THE CURRENT spate of deal-making in the over-crowded Australian stockbroking industry continued yesterday as participants jockeyed for a strategic position in the bear market.

In two unrelated deals, FAI Insurances acquired the outstanding 50 per cent of Morrow and Benjamin, the New Zealand broker, from Wardley Australia; and MBf, a Malaysian-owned financier, revealed itself as a substantial shareholder in Jacksons, one of only two listed Australian brokers.

The FAI deal continued the trend for Australian financial services groups to buy into New Zealand brokers while the country's stock market, and hence stockbroker values, is still suffering from the October 1987 markets crash.

No price was disclosed, but FAI picked up its initial 50 per cent stake in Morrow and Benjamin in last year, when it bought Met Life Group, the New Zealand insurer, for NZ$90m (US$57m).

The Australian move on New Zealand stockbroking started in earnest early last year when Potter Partners bought into Buttle Wilson. Ord Minnett followed in November with a 50 per cent stake in O'Connor Grieve. FAI already controls 100 per cent of Sydney-based stockbroker Pembroke Securities.

MBf's emergence with a 10.56 per cent stake in Jacksons has inevitably aroused speculation that the firm may move for full control, especially with Jackson's share price languishing at around 80 cents. This is well below the latest stated asset backing of A$1.92, and a huge discount on its 1987 peak of A$4.30. At current prices, the group is capitalised at less than A$7m (US$4.4m).

The Jackson's share register has been unstable since the company announced a pre-tax loss of nearly A$10m for the latest June half following a disastrous bad debt experience. Most notably, large shareholders Joseph Gutnick and Vestcorp were bought out by a Jacksons executive.

Nedlloyd shows net profit of Fl 140m for last year

By David Brown in Amsterdam

NEDLLOYD, tha Dutch shipping and transport group, yesterday announced a preliminary net profit of Fl 140m ($68m) or Fl 40 per share for 1988, down from a previous management estimate of Fl 48 per share.

The result compares with a net loss of Fl 1.01bn for 1987, when the group took a controversial Fl 911m write-down of offshore drilling units and ships. That writedown is still being challenged in an Amsterdam court.

The result for 1988 excludes the estimated Fl 70m income from Nedlloyd's sale of a 60 per cent stake in Transavia, the tourist airline, which has been held up by European Community competition authorities in Brussels.

The airline will instead remain fully consolidated in the Nedlloyd group until the issue has been resolved by Brussels. KLM, which is to operate the airline and is taking 40 per cent of the share package (with the other 20 per cent going to unnamed private investors), is optimistic tha issue will be finalised before the end of this fiscal year on March 31.

Nedlloyd also announced plans yesterday for a five-four-one share split to be put before its shareholders for approval at its AGM in June.

Both shipping markets and the exchange rate of the US dollar improved during the second half of the year to Nedlloyd's advantage, and most analysts reacted positively to the statement.

Nedlloyd shares climbed from Fl 274 to Fl 279 before trading was halted earlier yesterday afternoon. Trading will be resumed today.

Savings bank in plan for Sunnmörsbanken rescue

By Karen Fossli in Oslo

A RESCUE plan has emerged for the troubled Sunnmörsbanken, a medium-sized Norwegian commercial bank, which was saved from insolvency when the central bank and the Guarantee Fund of the commercial banks intervened in September as lenders of last resort.

A board appointed in September by the Banking, Securities, Insurance and Exchange Commission has found a buyer for the bank, which otherwise faced liquidation.

The buyer, Sparebanken Möre, a large savings bank, is to raise NKr200m ($30m) through the issue of primary capital certificates (PCCs), a relatively new financial instrument similar to preferential shares listed in Oslo.

Sparebanken will supply another NKr50m, turn Sunnmörsbanken into a fully-owned subsidiary and change its name to Forretningsbanken Möre. However, the plan will have to clear several obstacles, including gaining acceptance from Norway's Finance Ministry, and possibly approval from the Storting (parliament).

The new bank will remain a commercial bank but Norwegian regulations would normally require it to become a savings bank, like that of its new owner.

The terms and amount of a soft loan to be arranged for the new bank by the central bank will also have to be clarified.

Sunnmörsbanken's liquidity problems stem from losses on loans to the petroleum sector, shipping and shipyards and fish-farming. In 1987 the bank suffered losses of NKr179.9m compared with profits in 1986 of NKr11.1m.

Bond's Philippine nickel mine offer declared void

By Richard Gourlay in Manila

MR ALAN BOND, the Australian businessman, yesterday offered $320m for the mothballed Nonoc nickel mine in the Philippines but the Government immediately declared the bid void because he did not post a large enough deposit, Philippine officials said.

Dallhold Investments, Mr Bond's family investment company, was the only bidder out of 14 companies that had previously shown interest, according to Mr Vicente Jayme, of the Philippine Asset Privatisation Trust (APT), which is responsible for selling Nonoc.

Dallhold offered only a $2m deposit with its bid, instead of 10 per cent of the amount offered as stipulated in the tender procedures, Mr Jayme said.

Mr Peter Matheson, an executive director of Dallhold Nickel Management, said, however, his company was not prepared to put up $32m because, as had been pointed out to the APT, the tender documents were significantly defective in that they omitted a number of important factors: for example, the project's tax status or how the cost of refurbishing Nonoc would be treated. Dallhold estimates the cost at over $100m.

There had also been suggestions that there might be a legal challenge to the APT's right to sell Nonoc, he said.

"In the circumstances, we had to take a prudent course and elected to put on the table a reasonable sum."

Mr Matheson said his company was still willing to negotiate with the APT. "Reopening Nonoc would be of tremendous value to the Philippines," he said. "And we are probably the only people in the world with the technical and financial ability to rehabilitate it."

INTERNATIONAL CAPITAL MARKETS

Japanese warrant issues flood in

By Andrew Freeman

NEW ISSUE activity slowed slightly yesterday after the hectic days at the beginning of this week. However, there were enough deals to confirm the year's early trends, with the US dollar sector and Japanese equity warrant issues catching the market's attention.

The full impact of planned Japanese equity warrant issues has not yet hit the market, but there are confident forecasts from leading Japanese houses that January will see heavy volume. The absolute amount could be more than $7bn for the month, with January 18, 19 and 26 singled out as days when new issues will be particularly numerous.

Sumitomo Chemical Company came to the market yesterday with a $400m four-year issue with warrants attached which are exercisable from February 23 1989 until January 20 1993. The indicated coupon is 4.5 per cent and final terms will be set on January 19.

According to the lead manager, Nomura International, the issue met an extremely good reception. "Better than we had hoped," said an official. Demand was very strong in Tokyo, but was also evident in Europe. Priced at par, the bonds were trading at a sharp premium at 107 bid.

A smaller deal was launched for the Daishowa Paper Manufacturing Company Ltd. The $100m bonds mature on February 9 1993, are priced at par and carry an indicated coupon of 4⅝ per cent. Final terms will be set on January 19.

INTERNATIONAL BONDS

The paper sector has been performing well on the Tokyo stock exchange and the lead manager, Nikko Securities Europe, said there was reasonable Japanese demand. The bonds were trading at a healthy premium to their par issue price at 103¼ bid.

The proceeds are said to have been swapped into yen. Interest was somewhat less than for the Sumitomo issue because the smaller size makes it less likely to be liquid.

Elsewhere, Bankers Trust International was the lead manager for a $100m issue for Union Bank of Finland. The seven-year bonds carry a 10⅛ per cent coupon and were priced at 101⅜ to yield 63 basis points over comparable US Treasuries.

Like several recent issues, the bonds are callable at par after four years. According to the lead manager they were evenly placed in Tokyo and Europe and were trading at less 1.85 bid, just on total fees of 1⅞ per cent. The proceeds were swapped into floating-rate dollars.

A similar issue for Kansallis-Osake-Pankki, the Finnish commercial bank, had a slightly more subdued reception. The $100m seven-year issue is also callable after four years, but the lower profile name of the borrower meant that interest was slower. According to the lead manager, Shearson Lehman Hutton, the bonds were trading at less 1⅞ bid, just on full fees. The proceeds were said to have been swapped into sub-Libor funding.

The Abbey National Building Society tapped the D-Mark sector, issuing a DM250m seven-year bond carrying a 6¾ coupon. Priced at 101¼, the non-callable bonds had a mixed reception, trading at less 2.35 bid at one stage before rallying to close less 2.15 bid, just within total fees of 2¼ per cent. The lead manager was Westdeutsche Landesbank Girozentrale, which said buyers had been largely domestic institutional, rather than retail, investors.

In the D-Mark secondary market, selected supranational issues were up as much as ½ point, due mainly to short covering, while the rest of the sector traded quietly.

In Switzerland the foreign bond market remained firmly in the doldrums. The secondary market saw sharp losses of up to a full point on many issues, while on the primary market Austria's 5 per cent issue was trading at less 3¼ bid compared with Wednesday's 2¾ bid.

Oesterreichische Kontrollbank 20-year paper was less 4¼ bid against less 3⅝, and Heron 5½ per cent 10-year bonds were down ⅝ at less 2¼ bid. There was talk among dealers that these lower levels gave the market a more realistic feel and that prices should stabilise.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Union Bank of Finland◆	125	10⅛	101⅜	1996	1⅞/1¼	Bankers Trust Int.
Kansallis-Osake-Pankki◆	100	10⅛	101⅞	1996	1⅞/1¼	Shearson Lehman Hutton
Sumitomo Chemical Co.♦	400	(4½)	100	1993	2⅛/1½	Nomura Int.
Daishowa Paper Mnf.♦	100	(4⅝)	100	1993	2¼/1½	Nikko Secs.(Europe)
Final terms fixed on:						
Nichimen Corp(a)♦◆	200	4⅝	100	1993	2¼/1½	Daiwa Europe
CANADIAN DOLLARS						
Skand. Enskilda Banken◆	150	11¼	101.40	1992	1⅜/⅝	Goldman Sachs
City of Montreal◆	100	11¼	101¼	1993	1⅜/1¼	Societe Generale
Issue increased:						
Banque Nat.de Paris(b)◆	150	11⅛	101.45	1992	1⅜/⅝	Deutsche Bank Cap.Mkts
AUSTRALIAN DOLLARS						
Bank of Scotland(d)◆	200	7¼	102	1994	2/1⅜	Merrill Lynch Cap.Mkts
Rabobank Nederland	50	14½	101⅛	1992	1⅜/1	Rabobank Nederland
D-MARKS						
Abbey National B/S◆	250	6¾	101¼	1996	2¼/1½	WestLB
SWISS FRANCS						
Final terms fixed on:						
Maruko Inc.(c)♦	70	½	100	1993	n/a	Morgan Stanley
FRENCH FRANCS						
Norsk Hydro A/S◆	500	8¾	101¼	1995	1⅜/1¼	Bqe Nationale de Paris
ECUs						
EIB◆	150	8	101¼	1996	1⅜/1¼	ABN
DANISH KRONER						
PKbanken◆	300	9	101⅜	1994	1⅞/1¼	Den Danske Bank
LIRE						
World Bank◆	150bn	10¾	101⅞	1994	1¾/1⅛	Banco di Roma

♦With equity warrants. $Convertible. ◆Final terms. a) Coupon indicated at 4⅝%. b) Issue increased from C$100m. c) Put option fixed 30/6/91 at 107¼ to yield 3.421%. d) Redemption linked to A$/Yen spot rate at maturity.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on January 12

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†92¾	93¼	0	0	10.23
A/S Eksportfinans 7¼ 92	150	92¾	93¼	+0¼	0	10.04
B.F.C.E. 7 92	150	92⅞	92⅞	0	-0⅛	9.91
Brit. Tel. Fin. 9⅜ 98	250	97⅞	97⅞	0	+0¼	9.75
Canada 9 96	1000	97¼	97⅝	0	0	9.51
Canadian Pac 10⅛ 93	100	†101	102	0	-0½	10.27
C.C.C.E 9¼ 95	300	97⅝	97⅞	0	0	9.77
C.N.C.A 9⅜ 93	150	98¼	98⅝	0	-0¼	6.78
Credit Lyonnais 9 91	200	†98¼	98¾	-0⅛	-0⅛	9.79
Credit National 8¼ 93	200	94⅜	94¾	0	0	9.87
Credit National 7⅛ 92	100	93	93½	0	-0¼	9.85
Credit National 7¼ 91	150	†93¼	93¾	+0⅛	0	9.91
Dai-Ichi Kan 9⅜ 92	150	99	99½	+0¼	0	9.84
Denmark 7¼ 92	500	92¾	92¾	0	-0⅛	10.00
E.E.C. 7 91	100	93⅜	93¾	0	0	9.73
E.E.C. 7¼ 93	250	91¼	92	0	+0¼	9.75
E.E.C. 8 90	350	†97⅛	97⅜	+0¼	+0¼	9.85
E.I.B. 7⅛ 93	100	91¼	92¼	0	0	9.74
E.I.B. 9⅜ 97	150	98⅛	98½	0	+0¼	9.67
Elec. De France 9 98	200	95⅜	95⅞	0	0	9.73
Finland 7⅞ 97	200	89⅜	89⅞	0	0	9.84
Finland 7¼ 93	200	91⅛	91⅝	0	-0⅛	9.87
Finn. Exp. Cd. 8½ 92	200	95⅞	96⅜	-0¼	-0¼	9.96
Ford Motor Credit 8 91	250	†95⅞	96⅜	-0⅛	0	10.03
Gen. Elec. Cap. Corp. 9 93	500	96½	97¼	0	0	9.86
Gen Elec Credit 10¼ 00	200	99⅞	100⅜	0	0	10.21
Gen. Mtrs. Corp. 9⅛ 92	200	97⅞	98½	0	-0⅛	9.74
Halifax BS 9½ 93	200	†97⅞	98½	0	+0⅛	10.01
IBM Credit Corp. 8⅞ 91	250	98	98½	0	0	9.59
Italy 9 90	1000	†98⅞	99⅛	-0¼	+0¼	9.52
Italy 9½ 95	1000	98⅜	98⅞	+0⅛	+0⅛	9.77
L.T.C.B of Japan 8 91	100	95⅜	96	0	0	9.96
L.T.C.B. of Japan 8 97	200	89⅛	89⅝	0	+0⅛	9.99
Metropolis Tokyo 9½ 93	200	99¾	100¼	+0⅛	+0¾	9.50
Morgan Guaranty Tst. 7 90	150	†96⅜	96⅞	0	-0¼	10.18
Nippon Tel.&Tel. 9⅛ 98	250	97⅞	98⅛	-0⅛	+0¼	9.71
Norway 8¼ 93	500	96½	97	0	0	9.75
Portugal 8¼ 91	300	†97	97½	-0⅛	0	9.67
Prudential Crp. 8⅞ 94	125	96⅛	97⅛	0	0	9.48
Qantas Airways 10⅜ 95	140	102⅜	102½	0	0	9.86
Saskatchewan 10¼ 92	100	101¼	102⅛	0	-0¼	9.95
State Bk S Aust 9¼ 93	100	97⅜	97⅞	0	+0⅛	9.98
Sumitomo Bank 9⅜ 92	150	99¼	99¾	+0¼	+0¼	9.76
Swed Exp Cred 7¼ 91	100	†93⅜	94¼	+0⅛	+0⅛	9.75
Sweden 7 92	250	93¼	93¾	0	-0¼	9.80
Sweden 7 92	250	†92½	95	0	0	9.83
Sweden 8¼ 96	200	94¾	95¼	0	0	9.73
Sweden 8½ 92	200	†96¼	96¾	0	-0⅜	9.66
Victorian Rep 11⅜ 92	150	104⅜	104⅝	0	-0¼	9.96
World Bank 7 92	300	†92⅝	93¼	-0⅛	0	9.81
World Bank 9 97	300	96¼	96¾	0	+0¾	9.60
World Bank 9⅜ 98	300	97⅜	97⅞	+0⅛	+0⅛	9.67
Yasuda Trust Fin 8½ 93	100	†94½	95	0	+0⅛	9.99

Average price change... On day 0 on week +0

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	101⅜	102⅛	-0¼	-0¼	5.64
Aris Fin.SVS 5⅝ 92	100	100	100½	0	-0½	5.78
Bank of Tokyo 5⅞ 93	100	100¾	101¼	0	-0½	5.47
Central BK. Turkey 7 92	200	103⅛	103⅝	+0⅛	-0⅞	5.95
Commerzbank o/s. 5⅜ 93	300	99½	100	0	-0⅝	5.45
Degussa Int. 6⅛ 97	200	100¼	101	+0⅛	-0¾	6.02
E.I.B 5½ 98	150	95¼	95⅞	0	-0¼	6.14
E.I.B 6 97	300	98⅞	99½	0	-0¼	6.14
E.I.B. 6⅛ 96	300	99⅜	100⅛	0	-0⅛	6.16
E.I.B. 6⅛ 97	400	99⅜	100¼	0	-0¼	6.14
E.I.B. 6⅞ 95	300	103½	104⅛	+0¼	-0⅜	6.16
Euro.Coal& Steel 5⅞ 97	175	97⅞	98½	0	-0¼	6.17
Eurofima 6¼ 96	100	101½	102¼	-0¼	-1⅛	5.94
Elec De France 5¾ 97	300	97⅞	98⅜	+0¼	0	6.01
Forsmark Krtg. 5⅛ 93	200	97⅛	98⅛	+0⅛	-1	5.75
I.A.O.B. 6 97	200	98⅜	99	0	-0⅞	6.21
Japan Dev. Bk. 5⅜ 95	300	98⅝	99¼	+0¼	-0¼	5.56
Japan Finance 5¾ 97	100	97⅜	98⅛	0	+0¼	6.11
Ireland 6½ 97	300	100⅝	101⅛	-0⅜	-0⅛	6.35
Malaysia 6¼ 94	150	99⅜	100¼	0	-0½	6.29
Nat. West BK. PLC 6 98	300	96⅞	97⅛	0	-0½	6.40
N.H.L. Finance 6¼ 95	200	†99¼	100¼	0	0	6.25
Nippon Telg.&Tel. 6 95	400	100⅛	101⅜	-1¼	-1¼	6.04
Oesters. Kontbk. 5 93	300	97⅞	98½	-0¼	-0½	5.49
Portugal 5¾ 92	150	99⅞	100½	-0⅛	-0½	5.66
Portugal 6⅜ 95	150	101¼	102½	+0½	+0¼	6.21
Privatbanken 5¼ 93	150	97⅜	98⅛	-0⅜	-0¼	5.87
Royal Insurance 5½ 92	300	100⅛	100⅝	-0¼	+0⅜	5.36
Soc Cent Nucleaar 7¼ 95	150	104⅛	104⅞	0	+0⅜	6.37
Turkey 6½ 95	500	97¼	98	0	0	6.97
Westlb. Finance 5 93	200	†98¼	99¼	0	0	5.27
World BK. 6¼ 97	600	99⅞	100½	+0⅛	-0½	6.18

Average price change... On day 0 on week -0⅜

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†100	100½	+0¼	-1	4.95
Asfinag 5 03	100	†98½	99	+0¼	-1⅞	5.12
O.F.C.E. 4½ 98	200	†96¼	96¾	-0½	-2⅜	4.97
B.M.W. Fin.Neth. 5 13	150	†94½	95¼	-0½	-0⅝	5.36
Britannia B/S. 4¼ 94	100	†96	96½	-0⅜	-1⅛	5.05
CIR. Int. W/W 3 93	125	†97	97½	+0⅛	0	3.67
Credit Lyonnais 4¾ 00	100	†96¼	96¾	-0¼	-1⅛	5.16
E.I.B 4¼ 98	150	†96¼	97½	-1¼	-2¼	5.01
Fletcher Chall. 4⅞ 98	150	†96	97	-0¼	-0¼	5.36
Kobe City 4⅜ 98	150	†96½	97½	-0⅛	-1½	5.03
Leeds Perm. B/S. 4⅜ 93	200	†96	96½	+0½	-1⅛	5.12
Malaysia 5¼ 98	100	†98	99	+0¼	-0¼	5.45
Maxwell Comm. Crp. 5 95	150	†100	100¼	-0⅛	-1¼	4.97
Nat. Bk. Hungary 5½ 94	75	†97½	98	-0¼	-0¼	5.96
Nationwide Ang.B/S. 4 93	200	†95	95¾	-0½	-1	5.19
Nippon Telg.&Tel. 4¼ 95	200	†97¼	97½	-0¼	-1¼	4.72
Oesters.Ktbk. 5 03	75	†99	99¾	-1½	-1⅞	5.06
Prov. Newfoundland 5 03	150	†99½	100	-0⅛	-1¼	5.02
Thailand 4⅝ 95	200	†95	96	+0⅛	-0⅞	5.46
World Bank 5 03	150	†99¼	99¾	+0¼	-1	5.05

Average price change... On day -0¼ on week -1⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5¼ 92	55	102	102¾	+0¼	0	4.77
Belgium 4⅞ 94	45	98⅛	98⅞	0	+0¼	4.97
Canada 4½ 92	80	98¾	99	+0⅛	+0¼	4.73
Elec. De France 5⅛ 94	20	100⅞	101⅛	+0⅛	+0⅛	4.87
Ireland 5⅜ 93	30	100⅛	100⅝	+0⅛	+0⅛	4.95
Norway 5¼ 95	50	101	101¼	0	+0⅛	4.91
Rep. of Italy 5¼ 92	150	103	103¼	+0⅛	+0⅛	4.64
Sweden 4⅝ 93	50	99⅛	99⅝	+0⅛	0	4.81
World Bank 5½ 92	50	102¼	103	+0¼	+0¼	4.62

Average price change... On day +0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat.BS.10¼ 93 £	50	†97⅞	98⅜	-0¼	+0¼	10.83
Alg. Bk. Ned. 5½ 92 FL	150	98⅛	99⅛	-0⅛	-0¼	5.86
Alg. Bk. Ned. 5¾ 95 FL	200	98	98⅜	-0⅛	-0⅛	6.27
Amro Bank 6¼ 92 FL	150	100¼	101⅛	0	-0⅞	5.92
Aust.Ind.Dev. 12⅞ 93A$	100	94	94½	-0½	-0⅞	14.64
Austria 7½ 94 ECU	100	†97⅞	97⅞	+0⅛	+0⅛	8.06
Barc. Bk. 10¼ 97 £	250	94⅞	95⅛	-0⅞	+0¼	11.13
Barclays Aus.13¼ 91 A$	100	98⅛	98½	-0⅛	-1⅛	14.24
BP Capital 9¾ 93 £	100	94⅞	95⅛	-0⅛	+0⅛	11.22
British Airways 10 98 £	100	91⅛	92⅛	-0⅛	+0⅛	11.44
Buhrmann-Tet. 6⅝ 93 FL	100	100⅛	100¼	+0⅛	-0⅛	6.23
Comm. Bk. Aust. 12⅛ 93A$	100	95¼	96⅛	-0⅛	-0⅛	13.60
Coop.Ctr.Rabo.6¼ 93 FL	100	100	100⅛	+0⅛	-0⅛	6.21
Coop.Ctr.Rabo.6 92 FL	200	100⅛	100½	-0⅛	-0⅛	5.90
Denmark 7¼ 92 ECU	100	†99¼	100⅛	0	-0⅛	7.75
Dixons 11 95 £	90	†95⅛	96⅛	-0⅛	+0⅛	11.78
Deut. Bk.Aust.12¼ 95 A$	70	97½	98⅛	-0½	-2	13.28
Eastman Kodak 13 90 A$	100	95⅛	96⅛	-0½	-0⅞	15.93
E.I.B. 7 96 LFr	100	*98½	98½	0	0	7.28
Elec. France 10¼ 95 C$	125	†97⅞	98⅜	-0⅛	-0⅛	10.64
Euratom 7⅝ 97 ECU	145	†94¼	94⅞	+0⅛	-0⅛	8.31
Fed.Bus.Dv.Bk.9¾ 92 C$	75	†96⅛	97⅛	-0⅛	-0⅛	10.81
Ford Cr.Can.10¼ 95 C$	100	†99⅛	99⅞	0	-0⅛	10.85
Ford Mtr.Cred.7½ 91 ECU	100	†99¼	99⅞	+0½	+0½	7.74
Gillette Can. 9¾ 93 £	70	†91½	92¼	-0⅞	-0⅛	11.97
G.M.A.C. 9¾ 93 C$	150	†95⅛	96⅛	0	-0⅛	10.97
G.M.A.C Aus.Fin.14 90 A$	50	†99⅛	100⅛	-0⅛	-1	13.92
Halifax BS 10⅛ 97 £	100	94⅛	95⅛	-0⅛	0	11.33
Imp Chem Inds 10 03 £	100	92¼	93⅛	-0⅛	+0⅛	10.98
Inv.Industry Int.10 95 £	60	95	95⅛	-0⅛	-0⅛	11.48
Lloyds Bank 10⅛ 98 £	150	93	93½	-0⅛	+0⅛	11.46
Lloyds Bank 11⅛ 98 £	100	98⅛	98⅞	-0⅛	+0⅛	11.61
Montreal Tst.10⅛ 93 C$	100	†98½	99	0	-0⅛	11.08
Nat. West.Bk.13⅛ 92 A$	50	†98⅛	98⅞	-0⅞	-1	13.57
Nationwide BS 10⅛ 93 £	75	95⅛	95⅛	-0⅛	-0⅛	11.58
Ned. Midd. Bank 6 92 FL	150	100	100⅛	+0⅛	-0⅛	5.94
New Zealand 9⅛ 95 £	100	94	94½	-0⅛	+0⅛	11.23
New Zealand 7¼ 93 ECU	200	†99⅛	99⅞	+0⅛	-0⅛	7.81
Oesters.Ktbk.13⅛ 94 A$	75	†100⅛	101⅛	-0⅛	-1⅛	13.27
Philips Gloeil. 6 93 FL	300	98⅛	99	-0⅛	-0⅛	6.31
Prudential Fin.9⅛ 07 £	150	87⅛	88⅛	-0⅛	+0⅛	10.88
Royal Bk.Scot.10⅛ 98 £	125	94⅛	95⅛	-0⅛	+0⅛	11.57
Saskatchewan 9⅛ 91 C$	150	†97⅛	97⅞	-0⅛	-0⅛	10.94
Saskatchewan 10⅛ 93	200	97⅛	98	+0⅛	0	10.85
S.O.R. 7⅛ 95 ECU	90	†98⅛	98⅛	+0⅛	-0⅛	8.09
Union Bk. Switz. 7½ 93	150	†99⅛	100	0	-1⅛	7.56
World Bank 5⅛ 92 FL	100	98⅛	99⅛	-0⅛	-0⅛	6.13
World Bank 13⅛ 92 A$	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zentrspk. 13⅛ 93 A$	75	98⅛	98½	-0⅛	-0⅛	13.73

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.85	99.90	21/01	10.99
Belgium 91 US	0	100.20	100.30	21/02	9
Britannia 5 93 £	0⅛	100.00	100.05	10/01	12.12
Chase Manhattan Crp.91 US	0⅛	99.53	99.70	22/02	8.94
Citicorp 98 US	10⅛	98.05	98.30	28/02	9.62
Credit Foncier 98 US	.063	99.68	99.78	20/04	8.44
EEC 3 92 DM	10	100.85	100.95	22/02	5.63
Halifax BS 94 £	.1	100.02	100.07	8/02	12.29
Invt. in Industry 94 £	0	99.55	99.65	24/02	11.87
Leeds Perm. B/S. 94 £	9⅛	100.09	100.15	13/01	10.44
Midland Bank 01 £	.1	97.00	97.75	11/02	11.41
Milk Mkt. Brd. 5 93 £	0⅛	100.04	100.09	30/12	12.06
New Zealand 5 97 £	.07	100.18	100.28	20/02	12.16
State Bk. Nsw. 98 US	.188	100.41	100.51	13/02	8.87
Woolwich Equit. BS. 95 £	0⅛	100.00	100.05	13/01	12.12
Woolwich 5 95 £	0⅛	99.90	99.95	21/02	12.37

Average price change... On day +0.01 on week +0.07

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	110	111	+1⅛	14.18
Amer. Brands 7⅜ 02 US	9/87	56.7	117	118	0	1.51
Ashikaga Bank 2⅛ 02 US	4/87	967.	158½	159½	+3⅛	8.49
Asics 5 92 DM	12/83	472.7	219¼	220¼	-2⅛	1.76
CBS. Inc. 5 02 US	4/87	200.	93½	94½	+0⅛	8.83
Comm. Credit 5⅛ 02 US	4/87	66.75	64⅛	65½	+0⅛	34.96
Eng.China Clay 6⅛ 03 £	4/87	4.8	100⅛	101⅛	+0⅛	3.52
Fujitsu 3 99 US	5/84	1186.	251⅛	252⅛	-0⅛	-1.97
Land Secs. 6¼ 02 £	6/87	6.72	91⅛	92⅛	-0⅛	12.05
MCA Inc 5⅛ 02 US	7/87	69.62	84⅛	85⅛	+0⅛	24.07
Minolta Camera 2½ 94 DM	2/86	1004.	104	105⅛	+2⅛	15.82
Mitsubishi Bk.1⅛ 02 US	9/87	3157.	141⅛	142⅛	+1⅛	4.13
Mitsui Trust 2⅛ 01 US	10/86	1903.	154⅛	155⅛	+0⅛	4.80
Next. Plc 5¼ 03 £	11/87	4.3	[illegible]	99	-0⅛	211.43
Nishi Nipp.Bk.2⅛ 03 US	4/88	804	130⅛	131⅛	+0⅛	13.76
Omron Tateisi 2⅛ 02 US	4/87	1310.	218⅛	220	-8⅛	-1.53
Ranks Hovis 4⅜ 03 £	1/88	3.5	111	112	+0⅛	7.80
Redland 7⅛ 02 £	1/87	5.4	90⅛	91⅛	+0⅛	14.06
Saatchi&Saatchi 6⅛ 03 £	†10/89	4.41	96⅛	97⅛	+0⅛	24.03
Texas Inst. 2⅛ 02 US	9/87	82.87	74	75	-0⅛	49.21
W.R. Grace 6⅛ 02 US	9/87	42.12	83⅛	84⅛	+0⅛	28.10

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Bank alters sterling issue rules

By Norma Cohen

THE Bank of England has told Eurobond houses they will be permitted to underwrite sterling securities puttable before the fifth year under certain circumstances, despite its current rules governing issues maturing earlier than five years.

However, Eurobond underwriters will not be allowed to duplicate the structure of a controversial £100m six-year issue launched on Monday for Abbey National Building Society that is puttable after four years. Those bonds carry a coupon of 11⅝ per cent and pay interest at 10 basis points over the then-prevailing two-year sterling swap rate to investors who hold them beyond the put date in 1993.

For its part, the Bank only says it will approve issues "on a case-by-case basis." It had approved the Abbey National Eurobond on the grounds that the bonds were likely to be held for six years.

But syndicate officials said they had been told that bonds puttable before the fifth year would only be approved if the post-put interest rate was set at time of launch.

Eurobonds carrying unknown post-put interest rates are unlikely to be approved. Similarly, bonds carrying post-put interest rates so low they virtually encourage investors to redeem their bonds will not be approved.

Setting post-put rates at launch requires underwriters to purchase forward rate agreements to hedge positions. While the structure will undoubtedly be more expensive for borrowers than that used by Abbey National, cost savings to be achieved in the first few years of the bond may well outweigh the added expense.

Abbey National's bond structure is particularly advantageous because fixed-rate funds in the two- to four-year area can be swapped into floating-rate borrowings at rates substantially below Libor. Longer term borrowings currently earn less attractive rates when swapped.

Norway to axe foreign exchange curbs

By Karen Fossli in Oslo

NORWAY PLANS to follow Sweden and remove foreign exchange restrictions, according to Mr Bjoern Skogstad Aamo, Norway's Secretary of Finance.

Some moves in this direction have already been implemented. Effective from January 1, the range of companies which can borrow abroad has been widened to include most companies which obtain a licence from the central bank.

Previously, limitations allowed only export companies access to foreign banks and currency.

Other measures being studied include lifting the ban on sales of Norwegian bonds abroad. A 1984 ban allows only foreign insurance companies to make such purchases. Insurance companies needing "technical reserves" to protect their requirements for Norwegian currency are allowed to purchase the bonds if they secure a licence from the central bank.

INTERNATIONAL CAPITAL MARKETS

Strong dollar continues to underpin Treasuries

By Janet Bush in New York and Katharine Campbell in London

US TREASURY bonds scored marginal gains by midsession yesterday as the dollar rebounded from earlier lows.

Short-dated maturities were quoted around ⅛ points higher while long-dated issues were up by as much as ¼ point. The Treasury's benchmark long bond was quoted ⅛ point higher for a yield of 9.03 per cent.

The round of concerted intervention against the dollar on Wednesday by several central banks appeared to dampen demand for the US currency but, by midsession in New York, the dollar was back at the day's highs of Y126.35 and DM1.8575.

Among other positive factors helping bonds, although the lift was minor, was the better-than-expected demand at Wednesday's seven-year auction and figures showing a rise in unemployment benefit claims for the second week running.

The other focus for the market yesterday was the Fed funds rate which opened at 9¼ per cent. As it was the first day of the new statement period, when the US Federal Reserve tries to position the funds rate near to its target level, this opening appeared to confirm the Fed has indeed tightened policy.

The Fed announced $1bn of customer repurchase agreements and the Fed funds rate edged up to a high of 9⅜ per cent by midsession.

Today's economic releases will be the first of any importance this week. December retail sales are expected to have been strong, perhaps up 2 per cent. Producer prices for last month are also published and are expected to show an increase of between 0.3 and 0.4 per cent.

NEW ZEALAND bond traders had reason to come in out of the sun yesterday as comments by the new president of the ruling Labour Party threatened to keep government bond prices tied firmly to the political index. With the country in recession, it is political excitement rather than economic fundamentals that holds bond yields at almost 14 per cent.

Yesterday's nervousness stemmed from a newspaper interview with Mrs Ruth Dyson, in which she said the Government's asset sales programme might not continue. Official denials of an unofficial statement did nothing to calm the market.

Yields on the benchmark November 1993 issue ended the day at 13.91 per cent, 6 basis points higher than on Wednesday.

THE Australian government bond market was busy, as unemployment data did nothing to quell fears of a too-lively economy. Even though December unemployment levels increased — to 6.9 per cent from 6.7 per cent on an annualised basis — participation rates, such as job vacancies, were also up. This was taken as confirmation of the economy's strength and unleashed concerns about further tightening of monetary policy.

Prices fell substantially, so that yields on the benchmark Commonwealth government 12 per cent loan due 1999 closed at 13.00 per cent, up from 12.80 per cent the previous day. Three-month Treasury bills currently yield 15.10 per cent.

GOVERNMENT BONDS

IN THE UK, domestic government gilts fell by about ¼ point. Inflation worries, together with general unease as an interdealer broker withdrew from the market, dominated in a thin market. The benchmark long bond due 2003/2007 closed at 114 ⅝, five points weaker than late Wednesday.

Comments by Mr Nigel Lawson, the Chancellor, during the parliamentary debate on the Autumn Statement that the retail price index would show an almost ½ per cent rise depressed the market.

And the weekly notes in circulation, which make up roughly 85 per cent of M0, did not fall sufficiently to serve as a meaningful marker in the current *statistical fog*.

THE DUTCH central bank raised the rate at which it makes special seven-day advances to 5.7 per cent from 5.6 per cent. This was to defend the guilder which is at the weak end of its target band against the D-Mark.

Bond traders did not alter prices much as a result, noting that special advances were small compared with the size of repurchase agreements in Germany, and that the change in price itself was also minimal.

The new Dutch state bond, which bears a 6.75 per cent coupon with a 10-year bullet repayment and which went out to tender on Wednesday, was quoted at 100.15 to 100.30 in the grey market at the close.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	108-04	-6/32	10.76	10.69	11.05
	8.750	9/97	91-29	-9/32	10.18	10.22	10.28
	9.000	10/08	97-18	-10/32	9.28	9.34	8.32
US TREASURY *	8.875	11/98	97-28	+3/32	9.21	8.27	9.15
	9.000	11/18	99-16	+2/32	9.05	9.10	8.96
JAPAN No 111	4.600	6/98	98.9902	+0.032	4.78	4.79	4.62
No 2	5.700	3/07	109.3778	+0.213	4.74	4.77	4.78
GERMANY	6.750	8/98	100.4750	-0.225	6.70	6.66	6.61
FRANCE BTAN	8.000	10/93	98.1031	-0.037	8.48	8.54	8.63
OAT	8.500	5/98	106.1500	-0.100	8.50	8.64	8.75
CANADA *	10.250	12/98	99.7500	-0.125	10.29	10.29	10.13
NETHERLANDS	6.7500	10/98	100.3750	-0.100	6.77	6.68	6.64
AUSTRALIA	12.500	1/98	97.4050	-0.904	12.98	12.88	12.53

London closing. *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Trax throws up unexpected cost benefits

Norma Cohen on AIBD's newly-implemented trade matching and reporting system

Eurobond houses, nurtured in the free-wheeling environment in which the industry has grown up, have not all taken kindly to the idea of government regulation or to the prospect of a greater scrutiny of their market.

Indeed, many firms have had to be dragged kicking and screaming under the umbrella of the UK's Financial Services Act, which has transformed the industry's trade association, the Association of International Bond Dealers, into a quasi-regulatory body.

To comply with the UK regulators' requirements of price transparency in markets, the AIBD has established a trade matching and reporting system, known as Trax. Yet, nearly 40 per cent of the AIBD's 108 market making members have failed to comply with a January 3 deadline for using Trax.

But some of the firms are finding that Trax offers some unexpected benefits that can offset its costs.

Cresvale, a securities firms specialising in equity-linked issues, volunteered to be one of nine firms using the system on a pilot basis and now estimates that Trax is already saving some of its operating costs.

Among other things, Cresvale says it believes the Trax system will encourage banks to extend loans to finance its securities inventory and its stock borrowing requirement — filling a void created by the withdrawal over a year ago of Euroclear, the industry's principal clearing system, from that sort of lending.

As a house whose inventory consists in large part of Japanese equity warrants, Cresvale has had to find new sources of loans to cover purchases of securities since the stock market crash of October 1987. Around the time of the crash, Euroclear, the main clearing system for the Eurobond market, told Cresvale and others that equity warrants were no longer acceptable as collateral for loans because they were too volatile.

For example, during a brief period last autumn when the yen weakened, stock prices fell sharply on the Tokyo stock exchange. But prices on Japanese equity warrants fell by four to five times that amount, losing nearly 30 per cent of their value in a single day.

Persuading banks to accept the securities has become easier now the Trax trade matching system provides an audit trail of firm prices. The value of the collateral can be marked to market hourly, if that is what the lender wants.

In addition, Trax lets dealers know within 30 minutes whether their purchase or sale of securities has been correctly matched by a counterparty.

Dealers, who rely on telephones for their transactions, may learn days later that what they thought was a sale was, in fact, a purchase or that securities were bought at the wrong price. By that time, finding an alternative buyer or seller of the securities at the right price may be impossible, proving costly to the firm.

Mr Malcolm Stevenson, Cresvale's executive director, says the firm averages nearly 1,000 trades a day out of its London office. But the potential cost savings to be generated by Trax will offset a good part of the maintenance cost, he adds.

While the advantages will be less marked for those houses outside the equity warrant business, the Trax system may help firms develop sources of financing away from the Euroclear system.

Fees for the Trax are SFr1.50 per trade, with an administration charge of SFr500 ($322) a month.

Meanwhile, the data captured by the Trax system have huge commercial potential — a fact not wasted on executives of the AIBD.

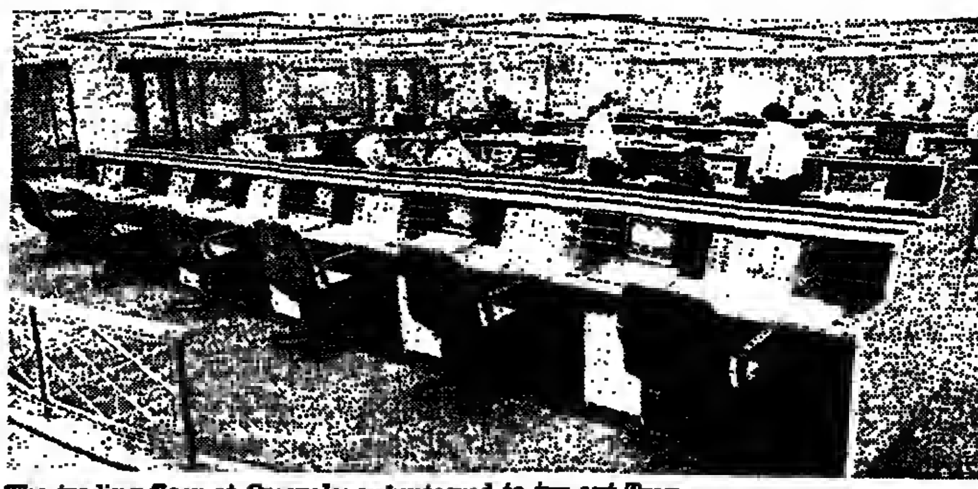
Among projects under consideration is a screen-dealing system which would allow firms to see minute-by-minute price changes in a group of liquid bonds in each currency.

This system differs slightly from the controversial screen-trading proposals which had been considered and abandoned by the AIBD, which called for all market makers to post firm two-way prices on screens. Names of firms on each side of the trade need not be disclosed and counterparties would be anonymous.

But the system would still give those with access to it a realistic idea of where prices of certain bonds ought to be, hopefully increasing investor confidence in the Eurobond market. The AIBD has not decided whether the prices should be made available to the public.

Additionally, the AIBD is holding talks with the London Financial Futures Exchange and the Chicago Mercantile Exchange about using the price information to develop a Eurobond futures contract that would help dealers hedge positions.

In the past, development of such a contract has been impossible because of the lack of accurate, up-to-the-minute price data for the underlying securities.



The trading floor at Cresvale: volunteered to try out Trax

Key changes at Nomura

By Norma Cohen

NOMURA International said yesterday that Mr Hitoshi Tonomura, the London-based head of its European operations, will return to Tokyo where he will become head of Nomura's overseas operations.

He replaces Mr Morimasa Yamada, who will become president of Nomura Finance Co, a newly formed entity which combines Nomura's non-banking activities, including venture capital and property finance.

Mr Nobuo Nakazawa, who became president and managing director of Nomura International in December 1988, will take on Mr Tonomura's responsibilities as head of Nomura's European activities.

Because Mr Yamada, who as an executive director holds a higher rank than Mr Tonomura, is taking on a less significant position within the company, the move is being interpreted as an effort to enforce greater discipline over international operations.

Mr Yoshihasa Tabuchi, Nomura's president, has a stated goal that half the group's revenues should come from international operations. But in 1987, only about 7.7 per cent of revenues came from the international side and that figure will be lower for 1988.

Merrill Lynch seeks Canada bank licence

By David Owen in Toronto

MERRILL Lynch Canada, the Canadian arm of the large US securities firm, is seeking permission from domestic regulators to operate a bank subsidiary.

The firm is in preliminary discussions with the Canadian superintendent of financial institutions to obtain a foreign bank charter.

The move marks the first time a brokerage concern has applied for a Canadian bank licence. Since deregulation of the domestic financial services industry got under way in June 1987, most of Canada's largest securities firms have been taken over by big banks.

Seaq Intl extends listing

By Stephen Fidler

SEAQ International, the stock quotation system for non-UK stocks run by the International Stock Exchange in London, is to introduce a new section which will cover Italian shares for the first time.

Significant volumes of the main Italian stocks are already trading in London, and the quoting of prices on Seaq International, to start on Monday, is designed to encourage further dealing.

Initially, six stocks will be listed — Fiat, Olivetti, Generali, Ferruzzi, STET and Benetton — although the list is likely to increase. Three market makers will quote on all six stocks — Morgan Stanley International, IMI International and County NatWest. Merrill Lynch, Shearson Lehman Hutton and Swiss Bank Corporation International will quote a smaller number.

Issues will be quoted in lire and settled through Monte Titoli.

● CL-Alexanders Laing and Cruickshank said yesterday it had hired the former European market making team of Morgan Grenfell.

The acquisition of the experienced 11-strong team would make it one of London's most active market makers in European equities, the firm said.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday January 12 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Wed Jan 11 Index No.	Tue Jan 10 Index No.	Mon Jan 9 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (209)	818.76	+1.1	11.43	4.35	10.72	0.00	809.72	808.75	806.94	731.61
2 Building Materials (28)	996.85	+1.5	12.77	4.57	9.63	0.00	982.44	969.70	968.34	941.68
3 Contracting, Construction (39)	1543.01	+0.9	12.85	3.96	10.15	0.00	1529.78	1515.23	1502.41	1497.57
4 Electricals (20)	[illegible]									
5 Electronics (30)	[illegible]									
6 Mechanical Engineering (55)	[illegible]									
8 Metals and Metal Forming (7)	[illegible]									
9 Motors (17)	[illegible]									
10 Other Industrial Materials (23)	[illegible]									
21 CONSUMER GROUP (187)	[illegible]									
22 Brewers and Distillers (21)	[illegible]									
25 Food Manufacturing (21)	[illegible]									
26 Food Retailing (15)	[illegible]									
27 Health and Household (13)	[illegible]									
29 Leisure (32)	[illegible]									
31 Packaging & Paper (17)	[illegible]									
32 Publishing & Printing (19)	[illegible]									
34 Stores (34)	[illegible]									
35 Textiles (15)	[illegible]									
40 OTHER GROUPS (91)	[illegible]									
41 Agencies (18)	[illegible]									
42 Chemicals (22)	[illegible]									
43 Conglomerates (12)	[illegible]									
45 Shipping and Transport (12)	[illegible]									
47 Telephone Networks (2)	[illegible]									
48 Miscellaneous (25)	[illegible]									
49 INDUSTRIAL GROUP (487)	[illegible]									
51 Oil & Gas (13)	[illegible]									
59 500 SHARE INDEX (500)	[illegible]									
61 FINANCIAL GROUP (127)	[illegible]									
62 Banks (8)	[illegible]									
65 Insurance (Life) (8)	[illegible]									
66 Insurance (Composite) (7)	[illegible]									
67 Insurance (Brokers) (7)	[illegible]									
68 Merchant Banks (11)	[illegible]									
69 Property (54)	[illegible]									
70 Other Financial (32)	[illegible]									
71 Investment Trusts (76)	[illegible]									
81 Mining Finance (2)	[illegible]									
91 Overseas Traders (8)	[illegible]									
99 ALL-SHARE INDEX (713)	955.57	+0.9		4.57						

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 11	Jan 10	Jan 9	Jan 6	Year ago
FT-SE 100 SHARE INDEX	1850.7	+14.8	1850.9	1834.1	1836.0	1831.5	1811.3	1799.5	1743.4

FIXED INTEREST

PRICE INDICES	Thu Jan 12	Day's change %	Wed Jan 11	xd adj. today	xd adj. 1989 to date
British Government					
1 5 years	118.48	-0.01	118.62	0.12	0.34
2 5-15 years	133.91	-0.06	134.02	-	0.08
3 Over 15 years	146.73	-0.22	147.05	-	0.00
4 Irredeemables	168.96	-0.21	169.31	-	0.00
5 All stocks	131.83	-0.08	131.97	0.04	0.16
Index-Linked					
6 5 years	130.06	-0.10	130.19	-	0.00
7 Over 5 years	127.46	-0.11	127.41	-	0.19
8 All stocks	127.46	-0.11	127.41	-	0.17
9 Debentures & Loans	116.18	-	116.18	-	0.24
10 Preference	87.87	-0.01	87.08	-	0.00

AVERAGE GROSS REDEMPTION YIELDS		Thu Jan 12	Wed Jan 11	Year ago (approx.)
British Government				
1 Low Coupons	5 years	9.48	9.38	9.04
2	15 years	9.10	9.09	9.67
3	25 years	9.10	9.09	9.46
4 Medium Coupons	5 years	10.54	10.55	9.71
5	15 years	9.69	9.64	9.86
6	25 years	9.25	9.22	9.67
7 High Coupons	5 years	10.81	10.79	9.80
8	15 years	9.95	9.91	10.02
9	25 years	9.16	9.11	9.70
10 Irredeemables		8.99	8.97	9.41
Index-Linked				
11 Inflation rate 5%	5yrs	3.80	3.74	3.08
12 Inflation rate 5%	Over 5 yrs	3.74	3.73	4.27
13 Inflation rate 10%	5 yrs	2.62	2.53	3.59
14 Inflation rate 10%	Over 5 yrs	3.58	3.57	4.37
15 Debs & Loans	5 years	11.65	11.67	11.02
16	15 years	11.28	11.28	10.99
17	25 years	10.93	10.93	10.99
18 Preference		10.32	10.32	10.49

Opening index 1837.5; 10 am 1839.7; 11 am 1845.2; Noon 1848.3; 1 pm 1848.6; 2 pm 1848.2; 3 pm 1846.2; 4 pm 1847.5; 4 05 pm 1848.2
(a) 5 01pm (b) 9 09am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	93	18
Corporations, Dominion and Foreign Bonds	1	18	32
Industrials	556	269	756
Financial and Properties	245	80	346
Oils	37	13	54
Plantations	1	1	11
Mines	48	43	97
Others	66	82	105
Totals	954	599	1,419

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/9 High	1988/9 Low	Stock	Closing Price p	+or-	Net Div.	Times Covered	Gross Yield	P.E. Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price £	+or-
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price p	+or-
[illegible]							

[illegible] Third Market.

TRADITIONAL OPTIONS

● First Dealings Jan 9
● Last Dealings Jan 20
● Last Declarations Apr 13
● For settlement Apr 24

For rate indications see end of London Share Service

Calls in Cresta Holdings, Samson, Calls in Wimpey, Blue Arrow, Jaguar and Domino Printing. Puts in Properties. Doubles in Blacks Leisure.

LONDON TRADED OPTIONS

Option		CALLS Jan	CALLS Apr	CALLS Jul	PUTS Jan	PUTS Apr	PUTS Jul
Allied Lyons (*453)	420	35	53	63	1	5½	12½
	460	4½	25	38	11	21	28
[illegible]							

Option		CALLS Feb.	CALLS May	CALLS Aug.	PUTS Feb.	PUTS May	PUTS Aug.
Plessey (*231)	220	19	30	35	5	9	13
	240	8	17	21	14	17	21
Prudential (*155)	140	20	23	25	1½	3	4
[illegible]							

Jan. 12 Total Contracts 55,068 Calls 44,065 Puts 11,003
FT-SE Index Calls 4207 Puts 3201
*Underlying security price.

UK COMPANY NEWS — GEC AND SIEMENS

Warnings about the ramifications of a successful takeover are voiced in two reports

Asset stripping threat to chip operation

By Hugo Dixon

A WITHERING attack on the effect that e GEC-Siemens takeover would have on Plessey's semiconductor business is contained in a report from the University of Sussex.

The report, to be published at the end of the month, says a takeover would be an "unmitigated disaster for Plessey and perhaps the UK semiconductor industry." It would represent another milestone in the decline of the UK's information technology industry, with Plessey's innovative chip-making operation heing subjected to asset stripping by GEC.

The report, by the nniversity's Science Policy Research Unit, which often advises the Government on high-technology issues, examines the industrial logic of the GEC-Siemens bid in three key sectors: micro-chips, telecommunications and defence.

Although highly critical of the bid from the chip industry's perspective, it believes that there are good reasons for GEC, Siemens and Plessey bringing their telecommunications interests together. It has mixed feelings about the possible effect on the defence industry.

The unit makes three general points about the logic of the bid:

- Restructuring of the UK electronics industry is inevitable in the run-up to 1992. The progressive formation of three trading blocks – Europe, North America and Japan – makes it desirable for the domestic industry to tie itself more decisively into the European industrial framework. Given their emall size, however, UK companies run the risk of being absorbed by stronger overseas partners.
- There would be little rationalisation of production following a encceseful bid in the medium term. Long-term benefits might come from greater financial muscle, shared technological development and from the companies staking out larger corporate territories.
- GEC and Siemens could hardly be more different in management style. "One is an eccountant's firm, the other an engineer'e firm, each epitomising the faults of either approach." In the long term, euch differences could lead GEC and Siemens to divide Plessey, with the UK company taking all of its defence interests and the West German company taking its telecommunications and chip businesses. At present, GEC and Siemens are planning to operate Plessey's businesses as a series of joint ventures.

The unit attacks GEC'e involvement in the semiconductor industry as a "history of retreat, indecision and a commitment to government subsidy and protected military markets." This it compares with Plessey's "innovative niche market strategy." Plessey specialises in the production of semi-customised chips called ASICs, in which it is one of the world's leading companies.

In the long term, management differences could lead the two companies to divide Plessey

GEC would close down Plessey's chip operations if it gained control of the company, the report claims. Because GEC would not be prepered to allocate sufficient investment, Plessey would probably be subjected to "asset stripping and the withdrawal from competitive and risky markets such as ASICs."

Control of the chip operations by Siemens would be only marginally better. The German company might be prepared to support Plessey's technology programme, but the strategies of the two companies are probably not complementary and there is no obvious synergy. "Siemens might find Plessey's style difficult to accommodate within its organisation."

However, considerable benefits are seen from a merger in telecommnnications. This would help secure the future of GPT, the 50-50 telecommunications venture between GEC and Plessey.

"GPT would not be able to fund the next generation of public exchanges on its own, and it is no longer viable to be duplicating a national champion in each member state (of the European Community) because that way lies economic madness and political chaos."

Even so, the report warns that GEC would be deceiving itself if it thought the German group would give GPT access to its world-wide distribution channels.

The report also says that, in the long run, Siemens' superior technical and commercial power would enable it to control GPT.

In the defence industry the effect of a merger would be to "end any pretence of competition in the main defence electronics markets, at least from UK sources." However, the report suggests that this may not be so important in the future, as Britain's Ministry of Defence seeks to buy more products from European defence companies.

The GEC-Siemens Bid for Plessey: The Wider European Issues. Available from January 30 from SPRU, University of Sussex, Mantell Building, Falmer, Brighton, East Sussex, BN1 9RF.

Telecommunications suppliers fear W German slant

By Terry Dodsworth, Industrial Editor

COMPONENT manufacturers in the UK telecommunications industry are generally opposed to the takeover of Plessey hy a GEC-Siemens consortinm, according to e leading industry research body.

Fears that control by the GEC-Siemens combine would lead to a preference for West German suppliers at the expense of British manufacturers are also widespread among small to medium-size equipment producers, the Telecommunications Research Centre (TRC) said yesterday.

The organisation also contends that middle managers at GPT, the telecommunications group owned jointly by GEC and Plessey, are widely opposed to the deal, while there are widespread anxieties about redundancies and other job losses in the British industry.

"If the bid was successful, it would further downgrade the role of the UK telecommunications industry, both domestically and world-wide," the report says. "This has already resulted in an industry of 35 key companies in the early 1970s being redneced to not more than six major players in 1988."

Mr Jack Stockdale, project director at the TRC, said yesterday that there was a conviction in the UK telecommunications industry that Siemens, the West German group, would eventually absorb GPT entirely if the Plessey deal were allowed to go ahead.

"I don't see how GPT could operate in competition with Siemens in West Germany," he said. "And in the UK, smaller manufacturers are worried because their business depends so much on GPT."

The report also suggests that the increased market power of the combined GPT and Siemens operations would represent a serious threat to STC, the UK's other large telecommunications supplier. STC has been active in the consortium trying to mount a counter-bid for GEC.

The report argues that Siemens is interested in taking over GPT because of its recently modernised telephone exchange manufacturing plant at Liverpool. This facility is one of the best in the world, according to the TRC, largely because of Plessey's investment. A takeover could well lead to a "research and development stripping exercise in which the major gain would be for Siemens."

The TRC also stresses that the UK is losing out in telecommunications trade with Western Europe.

In 1986, it says, Britain had a trade deficit in these products of Ecu 65.4m, but this rose to Ecu 78.6m (about £50m) in 1987. West Germany, on the other hand, had a surplus of Ecu 184.1m in 1986, rising to Ecu 205.4m in 1987.

The UK's largest deficit within the European Community has been in West Germany, where it stood at Ecu 22.1m in 1987.

Effect of the GEC-Siemens Bid for Plessey. Published by the TRC, 4 The Square, Barnham, West Sussex, PO22 OHB.

DIGITAL PUBLIC SWITCHING LINES IN SERVICE (1985) Share by manufacturer

Company	%
Nthn Telecom	25
AT&T	21
Alcatel	14
GTE	8
Ericsson	8
NEC	8
Siemens	8
ITT (now Alcatel)	4
Others*	5

* Including 1.2% between Plessey and GEC
Source: US National Telecommunications and Information Administration

PUBLIC SWITCHING EQUIPMENT SALES (1986)

Company	%
AT&T	25.3
Alcatel	18.5
Siemens	13.2
Nthn Telecom	10.5
Ericsson/CGCT	8.3
NEC	8.3
GPT/Stromberg Carlson	5.1
Fujitsu	4.6
Teletra/Italtel	3.9
GTE	2.3

Source: Telecommunications Research Centre

Brittan launches EC inquiry on wider competition effects

By William Dawkins in Brussels

Sir Leon Brittan: aiming for ruling within three months

A FORMAL European Commission inquiry into the GEC-Siemens bid for Plessey was launched yesterday by Sir Leon Brittan, commissioner for competition policy. Sir Leon said there was a *prima facie* case that the offer was covered by Article 85 of the Treaty of Rome, outlawing any kind of agreement likely to distort competition. As such, it warranted a full investigation.

"If you are removing the independence of one major company from the arena, you are removing the amount of competition there is."

Sir Leon stressed that this was only a preliminary view. Information would be gathered from all parties over the next few months before Brussels made a final decision.

It is rare for the commission to get involved in the defence industry because that is outside the EC Treaty. However, Sir Leon pointed out that he would only be ruling on the wider competition implications, and would not impinge on the UK authorities' right to decide for defence reasons whether or not to clear the bid.

Meanwhile, officials said they were in daily contact with GEC, but had received no notification of the possible retaliatory takeover bid from Plessey and its supporters. That would inevitably spark off a fresh EC inquiry along the same lines.

Sir Leon's announcement came a few hours after the UK Government's decision to refer the consortium offer to the Monopolies and Mergers Commission, along with assurances from commission officials that the Brussels authorities would try to make a ruling within the three-month timetable for the MMC's own decision.

Brussels is keen to demonstrate the smoothness of its anti-trust procedures to ease some member states' scepticism over its ability to enforce a controversial EC-wide merger control regulation that would clarify and strengthen its anti-trust powers.

Even if the Anglo-German bid for Plessey was proved to distort competition, it might still get commission approval under a section of Article 85 that allows such agreements if they help economic or technical progress and give consumers fair benefit.

However, commission officials admitted that they would be unlikely to stick to the MMC's deadlines if they wanted to block the bid, because that would spark off a much longer procedure.

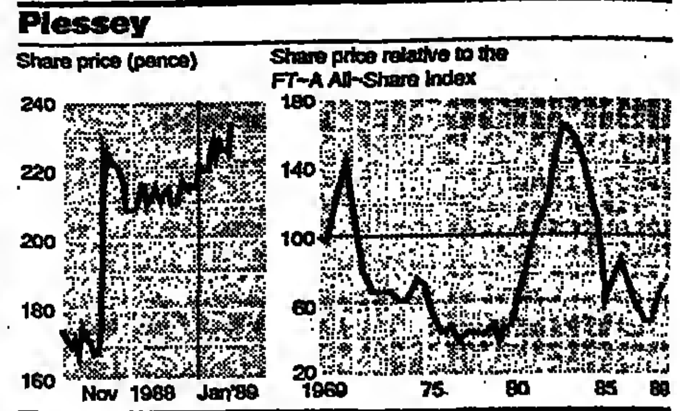
Yesterday's investigation will only hinge on whether the formation of a consortium of competitors to bid for Plessey contravenes EC law. It cannot touch on whether the bidders would be also abusing their dominant position.

The commission lacks the power to act until after the newly merged group has been formed and been shown to abuse dominance. Plessey has demanded a separate inquiry, now being pursued by the commission, into that aspect of the bid, under the EC Treaty's Article 86.

The merger regulation, moving slowly towards agreement from member states, would practically remove that problem for the commission by allowing it to vet in advance potentially anti-competitive takeovers.

Corporate advisers are, however, behaving as if the regulation was already in place, which is why GEC and Siemens notified the commission of their plans last month.

Plessey



Romney and Raeburn to have trust status

By Nikki Tait

IN ONE of the more original reconstructions in the investment trust sector recently, the Romney and Raeburn trusts are to he turned into an open-ended Guernsey-hased investment company. The novel feature is that this new vehicle expects to have UK investment trust status, thus retaining certain significant tax advantages.

The two trusts involved, which currently have aggregate net assets of about £265m, are both managed by Lazard Investors. News that they would be turned into an open-ended offsbore company was revealed in November, but full details were not given at that stage.

Because of the new fund's open-ended structure, its shares will trade at close to underlying net asset value – rather like a unit trust. This means that the bulk of the traditional investment trust discount – the difference between the share price and the underlying asset value – is eliminated.

A number of trusts have already unveiled reconstruction packages which have involved the transfer of their assets to a new offshore open-ended vehicle. In most cases, the new vehicle has offered shareholders a series of sub-funds to choose from – a structure which is being repeated in the Lazard Select case.

Here, however, there is further innovation, in that four of the new sub-funds will be "index funds", designed to track the UK FT-A All Share Index, the US Standard and Poors Composite, the Japanese Nikkei Dow Jones 225 Average and the FT-A Europe (ex-UK). This is the second move hy investment trusts into the index field this week – the previous development coming at New Tokyo investment trust where a change in investment policy was approved on Monday.

There will also be two actively managed funds, one with a global investment ambit and one concentrating on UK equities and offering an above-average yield. The seventh sub-fund is a Liquid Assets fund, holding cash deposits and short-term financial instruments.

Uniqnely among offshore umbrella companies, Lazard Select will be resident in the UK for tax purposes and should qualify for investment trust status. This, say the managers, will give it tax advantages over other umbrella funds in terms of dividends received and paid. As an investment trust it will also be exempt from capital gains tax on profits made when trading its portfolios.

The costs of reconstructing the trusts are not expected to top 2 per cent of net assets, so shareholders simply wishing to cash in their stakes should be able to exit at around 98 per cent of net asset value.

Under the reconstruction, shareholders will swop their existing shares for "participating shares" in Lazard Select. They can choose to have shares in any combination of the different sub-funds – all of which will be quoted in London. Anyone not electing will be given shares in the active global fund.

Thereafter, shareholders can swap between the snb-funds without incurring any CGT liability. The first swap in each financial period will be free, but each additional conversion will cost £50. At the managers' discretion the charge can be increased to 1 per cent of the value of the shares redeemed – which is designed to cover any exceptional rebalancing costs on the index funds.

The front-end charge on the sub-fund shares will he ½ per cent, although again there is discretion to increase this to 5 per cent.

The index funds are aiming to match the capital return achieved by their respective indices, subject to a tracking error of 1 per cent. The yield offered by the sub-funds will be slightly below that on the relevant indices to accommodate charges – and in the case of the Japanese index fund, there is unlikley to be any yield.

The annual management charges will be 0.25 per cent on the liquid assets fund, 0.3 per cent on the index funds and 1 per cent on the actively-managed funds. These can be raised to a maximum of 2 per cent, but there will be no change before mid-1990.

UK COMPANY NEWS

Cowie returns to haunt Lookers

By Clay Harris

T COWIE, Sunderland-based motor group, yesterday unveiled a 7.25 per cent stake in Lookers, returning to the Manchester motor dealer's share register in a big way for the first time since October 1987.

Cowie bought most of the shares – 6.47 per cent – from Abbey Life at below the market price. The sale was made at the insurance group's initiative, according to Mr Gordon Hodgson, Cowie finance director.

Lookers shares closed up only 3p at 150p, reflecting the commanding position held in the company by Woodchester Investments, British & Commonwealth Holdings' Irish-based leasing subsidiary. Woodchester owns 29.8 per cent of Lookers.

Cowie sold 14.98 per cent of Lookers at 384p per share a fortnight before the 1987 crash. At the time, Mr Tom Cowie, chairman, said that with Woodchester holding such a large stake, he "couldn't see any room for manoeuvre."

Mr Hodgson yesterday noted that Woodchester's two-year commitment not to increase its stake was nearing expiry. Woodchester also has first refusal on all finance business undertaken by Lookers.

However, Mr Ken Martindale, Lookers chairman and a Woodchester director, said no changes were planned in the relationship between the two companies.

"Mr Cowie is obviously very astute on prices, and being in the trade, he must have spotted a cheap opportunity," Mr Martindale said.

Sweet realignment due for 1992

Lisa Wood looks at the reasons behind Procordia's bid for Bassett

BASSETT FOODS, manufacturer of some of Britain's best-known sugar confectionery, yesterday rejected a £63m hostile bid by Procordia, the Swedish state-controlled holding company with a 10.1 per cent stake in the British company.

"We are not for sale, neither are we looking for a white knight," said Mr Bev Stokes, chairman of Bassett, one of the largest players in Britain's fragmented £990m-a-year sugar confectionery market.

However Procordia, with its £4-per-share cash offer, has put Bassett into play; the City has now tipped other confectionery groups – including Cadbury Schweppes and Rowntree, itself now owned by Nestlé, Swiss food group – to be likely to enter the fray.

Up for possible grabs is a company with pre-tax profits last year of £2.41m on a turnover of £49.8m. Its brands, including such old-fashioned favourites as Jelly Babies and Liquorice Allsorts, command an estimated 11 per cent of the UK sugar confectionery market and are developing markets in continental Europe.

Not coincidentally Procordia's hostile bid comes at a time when the rationalisation of the European sugar confectionery – as distinct from the chocolate confectionery industry – industry is starting to gain some pace. Last year, for example, United Biscuits, UK food group, snapped up Callard & Bowser, a sugar confectionery company.

Procordia claims 12 per cent of the Swedish sugar confectionery market and makes Läkerol, the biggest medicated cough drop brand in Sweden. It now wants a slice of the action in Europe.

Its activities fall into four main areas: consumer goods, including beer, soft drinks, confectionery and tobacco; services, including hotels and security services; pharmaceuticals; and engineering.

During the last couple of years the group, which reported pre-tax profits of SKr 1.38m (£122.7m) for 1987, has been seeking to develop international representation in some of these divisions.

"We have selected certain areas where we think it is very important to develop internationally and one of these areas is sugar confectionery," said Mr Göran Lindén, Procordia's deputy chief executive, yesterday.

Ahlgrens, Procordia's sugar confectionery division, contributed SKr 364m (£32.8m) to 1987 group turnover. Switzerland, for historic reasons, is Ahlgrens' major export market.

Mr Lindén said that the changes now occurring within the highly fragmented European sugar confectionery market would accelerate after 1992.

Satellite broadcasting, he maintained, would also change the nature of the market, and a critical mass of product range was needed to justify the distribution and promotion costs required to service it and grow pan-European brands.

It is a viewpoint shared by most players in the confectionery industry. Large-scale restructuring of the chocolate confectionery market in the UK, and, to some extent, on the continent, has driven unit costs down and facilitated heavy promotional spending on brands. The sugar confectionery industry, with a proliferation of family companies, has, by contrast, much lower profit margins and therefore less money to invest in building brands.

Mr Bo Johansson (left), president, and Mr Göran Lindén, deputy chief executive, of Procordia

1986 UK SUGAR CONFECTIONERY
Market share by value

Company	%
Trebor	12
Rowntree	12
Bassett	11
Mars	6.5
Barker & Dobson	6
Wrigley	5
Cadbury	3
Others	44.5

Source: Industry estimates

In fact Bassett has started to invest quite heavily in re-building several of its sugar confectionery brands in a UK market where sugar confectionery's volume share of the total confectionery market dropped from 44 per cent in 1980 to 37 per cent in 1987.

However, Procordia claims that Bassett, which analysts in the UK believe is successfully emerging from its painful period of rationalisation, does not have the resources to prosper in an increasingly competitive marketplace.

Mr Stokes said yesterday that his group had been facing the issues thrown up by 1992 for some time and had implemented a strategy for Europe. He pointed to his agreed acquisition last year of Frisia, a Dutch manufacturer of marshmallows, and Bassett's development of that market.

"We know there is going to be rationalisation in the industry but we do not need Procordia for that," he said. "Procordia needs us more than we need it."

Bassett's share price closed at 455p, up 55p.

French victory in UK water company bid

By Andrew Hill

A FRENCH water supplier yesterday won its agreed bid for a statutory water company, and two more French bids came close to victory when major institutional shareholders sold their stakes.

The disposals were prompted partly by the Department of the Environment's statement on water industry merger policy two days ago, which was designed to obstruct further bids in the sector and ensure the survival of a competitive range of water groups.

Existing French offers for water companies were not affected by the DoE statement, and institutions which have so far remained non-committal, in the hope that counter-bids might emerge, may now accept the five other agreed bids outstanding.

The latest developments may also reinforce Opposition accusations that the Government acted too late to prevent three French groups taking a major stake in the 29 water companies, which supply 25 per cent of the UK's water alongside the 10 authorities.

Prudential Assurance sold 35.1 per cent of Sunderland and South Shields Water and 22.6 per cent of Newcastle and Gateshead Water to Lyonnaise des Eaux late on Wednesday night. This followed the DoE statement and a simultaneous announcement from the Department of Trade and Industry that it had decided not to refer the Lyonnaise offers to the Monopolies and Mergers Commission.

Northumbrian Water Authority and local MPs had objected to the bids, on the grounds that French takeovers would be less efficient than a combination with the authority and would take control of the water supply out of local hands.

Lyonnaise had to increase its bid for Newcastle from £30.5m to £39.1m, and its Sunderland offer from £29.8m to £35.9m, before Prudential would sell its stakes. The French group declared its offer for Sunderland unconditional with acceptances representing 52.3 per cent of the voting stock. About 41.2 per cent of Newcastle's voting capital has been committed to the French offer.

At the same time, Equity and Law Life Assurance Society sold its 11.9 per cent stake in Tendring Hundred Waterworks to Compagnie Générale des Eaux. About 41.5 per cent of Tendring's voting capital has been committed to the French offer, which values the company at £10m, and closed yesterday. Equity and Law said it had been considering selling before the Government statement.

Générale des Eaux's bid for Folkestone and District Water Company also closed yesterday.

The DoE's statement means that all subsequent mergers in the water industry in which predator or prey have assets valued in the balance sheet at more than £30m, will be referred automatically to the MMC.

This puts obstacles in the way of most major predators, but would allow mergers of the smaller statutory water companies to go ahead.

Separately, Mr John Stansby, chairman of SAUR (UK), a Bouygues subsidiary, accused Southern Water Authority of delaying tactics designed to frustrate agreed bids launched by SAUR for three water companies in Southern's area.

Southern and its joint venture partner, Associated Insurance Pension Fund, an investment vehicle for Australian businessman Mr Duncan Saville, are considering launching counter-bids for up to three companies in the region, but have yet to make their intentions clear.

The French bids for West Kent, Mid-Sussex, and Mid Southern – which is not in Southern's area of supply – close on January 20. The offer document for SAUR's bid for Eastbourne Waterworks should be issued shortly.

Urging shareholders to accept the offers, Mr Stansby said any takeover launched by Southern would probably be referred to the Monopolies and Mergers Commission anyway, irrespective of the tougher Government policy on water industry mergers announced two days ago.

Wardle aims to clarify stance over Armstrong

By Clare Pearson

WARDLE STOREYS, plastic products and security equipment concern whose hostile bid for Armstrong Equipment closes finally next Wednesday, yesterday denied what it described as "unsubstantiated statements" to its shareholders that it had been prevented by the Takeover Panel from improving the terms of its £82m offer.

Wardle was aiming to banish any impression Armstrong might seek to create that its announcement on January 5 that it saw "no justification for increasing its offer" was a misfired ploy aimed at driving the share price down. This announcement came two days before the deadline for increasing its bid.

Had the Takeover Panel ruled that this was a "no-increase statement", Wardle would have been unable to improve its terms without either successfully appealing against the ruling, or publicly retracting its statement. Yesterday the two sides were in dispute over whether the Panel had made such a ruling.

Wardle was attempting to drive the message home to shareholders in the industrial fasteners and motor components company that it had never had any intention of increasing its offer.

Pennant disposal

Pennant Properties has sold Leicester House, in Leicester Square, to Central London Securities for £15.5m cash. The sale has realised immediately the majority of the profit potential of the project.

Irish dairy co-operative picks up 2.1% holding in Unigate

By Philip Coggan

UNIGATE, UK food, dairy and distribution group, yesterday said that it had been informed that Avonmore Creameries, a company based in Kilkenny, Republic of Ireland, had acquired 4.9m shares (2.1 per cent) of the company.

Avonmore is a co-operative, owned by thousands of Irish farmers but it has a Dublin-quoted subsidiary, Avonmore Foods. It is one of the largest dairy companies in Ireland.

Avonmore is understood to have no connection with Mr Larry Goodman, the Irish entrepreneur nicknamed the "Beef Baron" who has built up a 7.9 per cent stake in Unigate. Goodman International, Mr Goodman's private company, controls 69 per cent of Food Industries, a publicly quoted food processing group.

When Mr Goodman's stake was first revealed, a spokesman said that the stake was "a strategic investment in a major international food group which we believe is a sound long-term investment".

The news of the Avonmore stake was released after the stock market's close. Unigate's shares ended 2p down at 340p.

Meanwhile, Unigate also announced the acquisition of Wellhill Self-Drive, a privately-owned company offering light commercial self-drive and contract hire services. The consideration was not revealed.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Abbey	int	2.2♣	-	2.2	-	6
Astra Holdings	int	0.35†	Apr 28	0.35	-	0.87
D Mail/Gen Trust	fin	51	Feb 22	49	73	70
Debenham Tewson	int	2†	Feb 15	1.5	-	5
Dewhurst	fin	1.15	-	0.94	1.74	1.41
Dixons	int	1.43	Mar 6	1.3	-	4.3
Douglas (Robt M)	int	2	Mar 16	1.3	-	4.25
First Technology	int	2.5†	Feb 24	1.7	-	5
Gardiner Group	fin	0.5	April	-	0.75	-
Hawthorn Leslie§	int	0.2†	Feb 24	-	-‡	0.25
Jones Stroud	int	2.5	Apr 6	2	-	8
Macarthy	fin	7	Apr 6	7	11.5	11.5
Neotronics Tech	fin	1.2	Feb 27	1.2	1.8	1.2
Nobo Group	fin	2.2	Mar 9	1.76	-	5.28
TSB	fin	2.66	Apr 3	2.36	5.24	3.53

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ‡Final of 0.2p forecast to make a total of 0.5p for 16-month period. ♣Irish currency.

Building independence on sand

Paul Cheeseright on a future for Hammerson without Rodamco

HAMMERSON PUT the main plank of its defence against Rodamco in place yesterday, but it did it in the dark.

Even if the Rodamco bid fails, Hammerson does not know whether its independence is secure.

The disclosure of the group's net asset value is in the longer run much less important than the view that Standard Life Assurance takes of the future of the company. Life changed at Hammerson when, in about five minutes last Tuesday morning, Standard Life swept into the market and paid £11 each for 5.75m ordinary shares and lifted its stake to 28.8 per cent.

"What does it do for the future of Hammerson? What will we be allowed to do?" asked John Parry, the managing director. He may get some clues next Tuesday when he goes to Scotland to make presentations on the Hammerson case for independence.

So far Standard Life has not vouchsafed any clue of its intentions. Nor indeed has Australian Mutual Provident. Nor has Royal London Mutual Insurance. Between them they have 38.2 per cent of Hammerson's equity, and the directors have another 9.7 per cent.

These holdings are a tough, but not impossible, nut for Rodamco to crack.

Standard Life effectively put an £11 floor under any bid. But, as Standard Life found, there were plenty of sellers at that price.

That floor will have been made, if anything, more solid if Hammerson can persuade shareholders that the net value of their assets is not just £10.85 a share, but has a premium.

This premium comes, according to Jones Lang Wootton, the valuer, from the assembly of the Hammerson portfolio, the estimated £53m of expenditure which any purchaser of individual properties might have to face, the presence of properties in markets where acquisitions are difficult and from development possibilities.

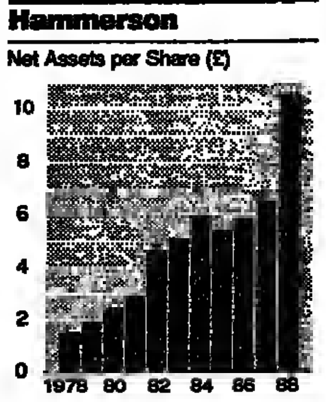
The question then is whether Rodamco has the cash and the will to spend for a bid which substantially tops £11 for each ordinary share. Only Rodamco knows that.

But even if its pocket is deep, it would still need to find ways of mitigating the capital gains tax liabilities of Standard Life and the other main shareholders in order to induce them to sell.

Of course, if Rodamco fades away, there is always the possibility of a bid from another source now that Hammerson's future has been put into play. Names like MEPC and Land Securities have been touted as potential buyers ever since Rodamco launched its initiative.

But the market clearly thinks that sort of action unlikely, and does not seem optimistic about a higher Rodamco bid, judging by the way both the ordinaries and the 'A' shares drifted lower yesterday.

From the point of view of the Hammerson management, there could be nothing better than an end to the speculation. That would allow it to come to terms with Standard Life.



It seems unlikely that having just paid another £62.3m to become the dominant shareholder with a convenient platform for a bid of its own, Standard Life will be content as a passive investor.

Over 30 years it has enjoyed a cosy relationship with the property company, gently building up its equity stake as payment for the funding of property ventures, and it is still a direct partner with Hammerson in four properties, including the Brent Cross shopping centre.

But Standard Life has new people at the top. The institutions generally are taking a more rigorous view of their investments: they want them to perform more. Pressure on Hammerson to achieve a higher than 15 per cent annual growth in net assets would seem on the cards.

Hammerson either falls into the control of a predator like Rodamco or it learns to live with Standard Life.

Either way some form of management shake-up will presumably take place. Mr Sydney Mason, the chairman who has guided the company up from a £10,000 overdraft facility to a £2.5bn international group, may be in his last few months at the elegant offices of 100, Park Lane.

Walker Greenbank to write off over £10m

By Philip Coggan

WALKER GREENBANK, the mini-conglomerate chaired by Sir Anthony Jolliffe, will be forced to write off £10.6m after an investigation by accountants Touche Ross into alleged accounting irregularities at Alkar, its supermarket shelving subsidiary.

Results for the year ending on January 31 will include an exceptional debit of 5.8m relating to Alkar.

A loss of £4.8m relating to previous years will be treated as a prior year adjustment in the current year's financial statements.

The size of the write-offs was at the top end of market expectations and the group's shares fell 9p to 86p.

On November 21 last year, Walker Greenbank announced that it was launching an investigation into Alkar, which it had acquired for an initial £3.4m in January 1987.

Under the terms of the deal, further payments could be made to the vendors Mr Alan Carr and his father, Mr William Carr, dependent on future profits.

Now Walker Greenbank says that Touche Ross found what appeared to be material misstatements in Alkar's reported financial results. Walker says it is conducting further investigations in order to pursue recovery of losses suffered.

Ward Hadaway, solicitors for both Mr Carrs, yesterday said it was not their policy to comment on matters affecting their clients.

Action has also been taken to curtail losses at Alkar, resulting in 140 job losses at the County Durham-based group. Analysts said, however, that Walker's pre-tax profits for the year just ending were likely to be £4.5m, rather than the £15m earlier expected.

Mr Nicholas Brown, chairman of Walker Greenbank's largest subsidiary Wallcoverings International, is to become group chief executive as a first step in strengthening and restructuring the board.

However, analysts speculated that the problems of Walker Greenbank might eventually lead to a takeover bid for the group.

TSB rises 23% to £420m after 'a year of consolidation'

By David Barchard

THE TSB Group yesterday announced pre-tax profits of £420m for the year ending October 31 1988. Sir Nicholas Goodison, the new chairman of the group, said they reflected "a year of consolidation".

The result was 23.4 per cent ahead of the equivalent period, and broadly in line with expectations in the City, where it was greeted as satisfactory, but somewhat unexciting.

The group's banking business, including Hill Samuel, the merchant bank acquired in November 1987, contributed £232.9m. The Hill Samuel group made £58.7m in the 49 week period since acquisition.

During the year, TSB's lending grew by 65 per cent to £11.1bn. Much of this came from mortgage lending by the bank and its subsidiary Mortgage Express. The mortgage business had reached £4.9bn by the end of the year, up 67 per cent.

However analysts expressed some surprise that TSB had only been able to increase its other personal lending business outside Hill Samuel by 12 per cent.

Trustcard, the group's Visa credit card business, made £14.8m, 19 per cent ahead, a result hailed by Mr Don McRickard, chief executive for banking, as an extremely strong performance at a time of increased competition.

The charge for bad debts was better-than-expected at a reduced £45m (£55m), a figure which caused some surprise in the City.

Profits from insurance and investment services reached £102m (£81.3m) and funds under management rose from £4bn to £18bn, making TSB the second largest player in the UK unit trust market. The result was seen as satisfactory given the depressed conditions of investment markets since the October 1987 crash.

The bank said the direct cost of compliance with the Financial Services Act was £4m.

Commercial activities, including Noble Lowndes the consultancy and actuarial business, Swan National Vehicle services, and Wescol shipping group, rose by 8.6 per cent to £26.3m.

During the year a major internal reorganisation took place, merging the Treasuries of TSB and Hill Samuel and developing the merchant bank as its corporate finance arm. These caused a sharp increase in operating costs, up 48 per cent on 1987. However, the underlying growth of operating costs, excluding acquisitions, was 8 per cent.

The bank ended the year with an equity to total assets ratio of 5.3 per cent (13.3 per cent) and return on shareholders funds of 15.1 per cent (12.5 per cent). Advances as a percentage of total assets rose to 49.7 per cent (39.5 per cent).

The bank's risks to assets ratio, announced for the first time, was said to be "over 14 per cent", suggesting that it is still somewhat overcapitalised.

Earnings per share rose 6.4 per cent to 18.3p, and the directors recommend a final dividend of 2.65p per share for a total of 5.34p, an 11.5 per cent increase. The dividend improvement was regarded as somewhat low by the City.

See Lex

UniChem scheme hits Macarthy

By Vanessa Houlder

MACARTHY, pharmaceutical retailer, manufacturer and distributor, yesterday put its manufacturing division up for sale.

The move, and a disappointing 9.3 per cent rise in annual pre-tax profits from £5.6m to £6.1m, was a result of the serious damage it suffered from a controversial share incentive scheme launched by UniChem, rival wholesaler, last year. The extent of the wounds was revealed yesterday when Macarthy announced a £4.96m extraordinary item. This was the cost of defending its business from the share scheme and the subsequent re-organisation of its manufacturing and distribution activities.

The decision follows its reduction in its wholesale branches last summer through which most of the manufacturing divisions output was sold. The division has turnover of between £9m and £10m and employs assets of £6m.

Macarthy's results for the year to October 1, which included a sharp drop in earnings per share from 24.1p to 15.9p, disappointed the City, which had expected profits of at least £7m. However, the shares rose 7p to 247p.

Mr Nicholas Ward, chairman and chief executive, said that the group was through the worst of its problems and it was poised to move ahead, with growth focussed on the retail division. "We have reached the nadir," he said.

In contrast to the manufacturing and distribution division which saw profits fall by 33 per cent from £6.4m to £4.3m, the retail division put in an "excellent" performance. Profits nearly tripled to £4.37m (£1.55m), after the retail chains acquired in 1987 exceeded their profits target and were satisfactorily integrated.

Overall, turnover increased by 27.7 per cent to £379.4m (£297.1m). However, when adjusted for the five acquisitions made in 1986-7, this was equivalent to a 5.3 per cent increase.

But Mr Ward said that Macarthy had instituted proceedings against Unichem on the grounds that its scheme breached Article 85 of the Treaty of Rome. The scheme, which offers retailers, in return for extra business, bonus shares when the friendly society goes public in 1990, was referred to the Monopolies Commission last December.

A final dividend of 7.0p is proposed giving a total of 11.5p, unchanged from last year.

● **COMMENT**

Although Macarthy has suffered more severe damage from UniChem's share scheme than the pessimists' gloomiest fears, it now appears to be over the worst. In part, that is thanks to decisive action by the management which has cut the wholesaling side and put the manufacturing operations up for sale. As a result, margins should start to recover in the distribution division, allowing the group to reap the rewards of continued improvements on the buoyant retail side. So, although Macarthy may limp through the first half of the year, the full year results should show a good improvement in earnings per share. But although Macarthy may have made the best of its wholly undeserved predicament, this has not saved the group from takeover speculation. This has bubbled in recent weeks, fuelled by the recent consolidation in the chemists' sector. That helps explain the shares' above average prospective p/e multiple of 12.5, which assumes pre-tax profits of £8m this year.

Jones Stroud predicts substantial advance

A SUBSTANTIAL profit rise for the year to March 31 1989 is on the way for Jones Stroud (Holdings), maker of materials and accessories for the textile and electrical industries.

In the first six months profits rose from £2.91m to £3.68m. The directors are forecasting a similar trend for the current term, which would give around £7.4m for the full year, against £5.95m. They said there is, as yet, no impact on orders as a result of higher interest rates.

Meantime, they are raising the interim dividend by 25 per cent to 2.5p from earnings of 12.44p (9.21p).

Turnover in the period advanced to £28.67m (£25.48m) and trading profit to £3.52m (£2.78m). There was an extraordinary £875,000 profit on the sale of a freehold in Long Eaton.

Gardiner meets forecast with £1.89m for year

GARDINER GROUP, placed on the main market in February 1988, turned in a pre-tax profit of £1.89m for the year ended October 31 1988, compared with £1.8m forecast in the prospectus and with £1.22m in the previous year.

Turnover moved ahead to £17.8m (£15.25m). Earnings rose to 3.1p (2.39p) and the final dividend is the promised 0.5p, to make 0.75p.

The group is a wholesale distributor of electronics security, surveillance systems, fire detection and prevention equipment. Last September Automated Security (Holdings) and Scantronic Holdings each acquired 20 per cent of the capital.

Mr Thomas Buffett is chairman of both companies and became head of Gardiner. The directors are pursuing the benefits that will arise from the new relationships.

Nobo profits and sales rise sharply

With strong demand being maintained, the Nobo Group of office and business equipment makers raised turnover 49 per cent and pre-tax profit 50 per cent in the half year ended October 31 1988.

All subsidiaries showed continued sales growth. Turnover increased to £9.05m (£6.08m) and the profit to £1.64m (£1.09m). Earnings were ahead from 7.1p to 10.4p and the interim dividend is lifted to 2.2p (1.76p).

Mr Peter Kent, chairman, said present trading conditions were favourable and he looked to the second half with optimism.

In the summer the new 20,000 sq ft factory should be completed.

CORRECTION
Hillclare

Because of a news agency error, the FT incorrectly reported yesterday that Hillclare's pre-tax profits had fallen at the interim stage. In the six months to September 30, Hillclare reported pre-tax profits of £72,000 against £175,000 in the 12 months to March 31 1988. The Third Market company did not give figures for the corresponding six months, saying they were not comparable because of changes in accounting policy.

Markheath lifts its Camford stake to 18.4%

By David Waller

Shares in Camford Engineering, Stevenage-based motor components group, surged 15p to 224p after Markheath Securities took its holding from 11 to 18.4 per cent yesterday.

Markheath, the UK investment vehicle of Mr John Spalvins, an antipodean entrepreneur, bought another 1.58m shares at what is believed to be an average price of 208p. At yesterday's closing price, Camford is capitalised at £43.6m.

Mr Brian Cox, Camford chairman, said Camford board members had met Markheath yesterday morning. He refused to reveal what was discussed. Mr Paul Bobroff, managing director of Markheath, declined to comment on either what was discussed at the meeting or the company's intentions towards Camford.

He did however confirm that Mr Spalvins attended yesterday's meeting.

The latest tranche of shares was acquired in the market between Wednesday afternoon and yesterday morning.

Chloé perfume

Dunhill has asked to point out that Chloé perfume is the property of Chloé SA, its wholly-owned subsidiary. The product is made, sold and distributed under licence by Fabergé, the toiletries company in takeover talks with Unilever.

Daily Mail & General almost static at £3.26m

By Fiona Thompson

Daily Mail & General Trust, the quoted investment company controlled by the Harmsworth family, yesterday reported its final results for the company in its old form, that is, prior to its purchase last October of the 50.05 per cent of Associated Newspapers it did not already own.

For the year to September 30 1988, the company, as in the past, listed the two separate contributions to pre-tax profits – that from DMGT and that from Associated Newspapers. DMGT reported pre-tax profits of £3.26m for the year, compared with £3.16m the previous year.

The pre-tax contribution from the 49.95 per cent of Associated Newspapers that the company then held was £18.38m (£28.42m).

A £52m extraordinary credit was Associated Newspapers' share of the £106m profit on the sale of Blackfriars Oil & Gas.

A final dividend of 51p was recommended, making a total of 73p (70p) for the year. Earnings per share were 39.1p, compared with 71p. The fall was because Associated Newspapers did not declare a dividend in view of the takeover.

Simon Engineering buy

By Clare Pearson

THE RECENT spate of acquisition activity at Simon Engineering, equipment, services and manufacturing group, continued yesterday with the announcement of its $19.6m (£11m) purchase of a US crane company.

Simon said RO Holdings, based in Kansas, was the leading North American producer of telescopic truck mounted cranes. It would complement Simon's existing access equipment division where, with another recent acquisition in Australia, sales were running at £150m annually.

The initial payment for RO is $7.6m, with a further $2.6m payable over three years. The balance will go to fund borrowings. RO, both a manufacturer and distributor, made pre-tax profits of $1.2m on $40.6m of sales in the year to October.

As well as acquisitions, Simon has also recently been disposing of small-scale peripheral businesses to concentrate on strategic areas.

Priest Marians is suitor for Inoco

By David Waller

Priest Marians Holdings, property group, was last night formally identified as a possible bidder for Inoco, the oil company turned property investment vehicle.

This emerged yesterday as Inoco put out a statement saying that talks were taking place with Priest Marians which may lead to an offer being made for the company.

The announcement came almost a month after Inoco's reported an approach which it said could lead to a full bid.

Priest Marians became the likely candidate after it emerged with a 9.22 per cent stake on December 16.

Abbey's housing market still difficult despite a recovery

By Andrew Taylor, Construction Correspondent

SALES OF homes in southern England dropped dramatically last Autumn when the housing market turned down. The market has picked up subsequently although sales remain difficult, Mr Charles Gallagher, chairman of Abbey, the Dublin registered housebuilders, said yesterday.

His remarks accompanied the half yearly figures, which showed pre-tax profits ahead 52 per cent to £9.16m (£7.52m sterling) for the period ended October 31 1988. Turnover advanced from £41.56m to £51.77m.

The company sells houses only in southern England. Mr Gallagher said house sales had improved but the market remained difficult and the second half would be slower.

Around 900 homes were expected to be sold by the group this year, compared with 1,000 last time.

Earnings rose from 11.1p to 15.4p per share. However, in the light of present market conditions and uncertainty in the economy, the interim dividend is being maintained at 2.2p, the chairman said.

Abbey, like Countryside Properties which also sells solely in the south and reported a 72 per cent increase in pre-tax profits in the year to September, proposes to sustain sales by selling more homes direct to building societies.

"We would also expect to do more part exchange deals as well as offering mortgage subsidies and other special deals," Mr Gallagher said.

"Underlying demand for homes in southern England however remains strong and we still expect to see a satisfactory increase in profits this year."

Around a quarter of Abbey's profits comes from its construction plant hire business.

This is expected to rise with new depots opened recently at Rugby and Kettering in the Midlands and Poole in Dorset.

UK construction output, despite problems in parts of the housing market, is forecast to rise by a further 3 per cent this year.

Abbey is also considering diversifying in other directions and is contemplating several commercial developments in Ireland and in Britain.

The first of these is likely to be a 20,000 sq ft office development in Dublin for which the group is seeking planning permission.

News Int/Collins

The bid by News International for William Collins has been declared unconditional, but stays open until January 30. Shares owned or agreed to be purchased by News and acceptances received amount to 8.92m Collins ordinary shares and 7.98m non-voting "A" shares, equivalent to 57 per cent and 21.9 per cent respectively.

UK COMPANY NEWS

Dixons reveals 15% fall to £42m

By Maggie Urry

DIXONS, electrical retailer, demonstrated that conditions in its market remain tough when it revealed a 15 per cent fall in pre-tax profits to £42m for the 28 weeks to November 12. Turnover rose 8.7 per cent to £891.6m.

Mr Stanley Kalms, chairman and chief executive, warned that profits for the year would be lower than the £103.1m achieved in the previous year. He said the trend line was still downwards but that Christmas sales had been on budget. The shares fell 4½p to 136p.

As a mark of confidence the interim dividend is raised 10 per cent to 1.43p, from earnings per share of 5.9p, down 24 per cent.

Mr Kalms said that the market for consumer electronics in the UK grew only marginally during the period under review and prices were little changed on average. He felt there could be a number of reasons for dull sales – the squeeze on consumer spending and lack of confidence, the absence of a new-fast selling product, and the fact that many goods were bought as replacements and consumers were delaying such purchases.

Dixons' market share had risen marginally, he said, and sales in the combined Dixons and Curry's chain were up 5 per cent. However, sales per square foot in comparable stores had fallen by 10 per cent. Mr Kalms pointed out that operational gearing in retailing meant that a volume fall had a much worse effect on profits.

UK retail profits fell 38 per cent to £17m. These include good profits growth from Supasnaps, photo-processing chain, but a setback at the mail order photo-processing business which had been hit by the postal strike coming at the peak time for processing holiday photographs.

The period included a contribution from Wigfalls, acquired in the second half of the previous financial year, which added 55 stores. Another 16 stores were opened, and five extended or relocated, with 16 small shops closed.

Stanley Kalms: the trend line is still downwards.

Looking ahead, Mr Kalms said there were big savings to be made from the integration of the Dixons and Curry's chains. For example, by setting up one national distribution system he hoped to reduce stock turn from around 14 to 15 weeks to perhaps 10 weeks in a couple of years time, and possibly further. This would save on stock holding.

In the US the market is patchy with some areas showing good growth but others dull, Mr Kalms explained. In dollar terms profits from the 202 US stores were unchanged, but on translation they fell slightly to £4.4m (£4.6m) on sales up 16.2 per cent to £239.6m.

The financial services division increased profits by 3 per cent to £5.5m. It is 18 months since the extended warranty insurance was launched. Mr Kalms said that the claims experience so far was running at a favourable rate.

The group's property trading company increased profits by 26 per cent to £14.1m. Mr Kalms said the timing of disposals would mean that the majority of property profits would come in the first half. The group has a substantial development programme ahead.

See Lex

Altruistic Burton warns on trading

By Maggie Urry

SIR RALPH Halpern, chairman of Burton Group, yesterday warned that trading conditions for retailers will become more difficult in 1989 as the full impact of the Chancellor's measures feed through to consumers.

He was speaking at the company's annual meeting, which was a quieter affair than in recent years.

The group was "under no illusion that the market place today is more difficult than at any time over the last few years." He said management had been realistic in considering budgets and "caution" was the watchword.

He predicted that there would be winners and losers among store groups and said that he expected Burton to be a winner. So far in the financial year – from the beginning of September – sales were up 14 per cent on the same period last year, he said.

At the annual meeting last year he had been able to report a 19 per cent sales gain, a difference which Sir Ralph said reflected the tougher trading climate. Christmas sales had been "satisfactory".

Sir Ralph said that trading had become more difficult last year and that the results for the last financial year, showing a 16 per cent increase in earnings per share, were therefore excellent.

In response to questions, Sir Ralph said he could say nothing more about the investigations started a year ago by the Department of Trade and Industry into the group's acquisitions and disposals over the previous three years. The inspectors had left Burton's offices last summer, he said, and nothing had happened since.

He agreed with a shareholder that the share price was low, but said he hoped that "the market ultimately will recognise the value" in the group.

He told a shareholder who asked about the group's plans for expansion in Europe in view of the approaching single market, that the company was experimenting with five shops on the continent.

Replying to a vicar who asked whether the drive for higher profits and dividends was putting too much stress on employees, Sir Ralph said that the group tried to be a responsible employer and gave money to charity.

Munitions growth helps Astra rise 50% to £4m

By Clare Pearson

ASTRA HOLDINGS, fireworks and munitions manufacturer, lifted pre-tax profits by more than 50 per cent from £2.62m to £4.05m during the six months to end-September. Turnover rose from £20.53m to £44.23m.

The results included a first-time four-month contribution from British Manufacture and Research Company, Lincolnshire munitions factory formerly owned by the Swiss Oerlikon, the purchase of which Astra financed via a 22-for-25 rights issue last summer. They also included Kilgore Corporation, US producer of infra-red decoy systems acquired in October 1987.

The tax charge was 20 percentage points lower at 14.8 per cent due to carrying forward of substantial tax losses. The interim dividend is unchanged at 0.35p. Earnings per share rose by just 0.03p to 1.28p.

Mr Gerald James, chairman, said firm orders, which now stood at £130m, were now more than double the levels of a year ago and their wider spread indicated Astra's increasing ability to compete in world markets and at home.

On the UK, he said he was encouraged by the Ministry of Defence's apparent keenness to foster competition in the area of ammunitions supply, even though Royal Ordnance had the contract to provide 80 per cent of its requirement for the next 4¼ years. He noted Astra had already been successful in obtaining orders.

BMARC, which had been incurring losses before its acquisition, was turned around. There was substantial reorganisation during the period involving some 120 redundancies among the indirect workforce. The military pyrotechnics operations at the fireworks site had been transferred to BMARC's site, and exchanges of technology with the US operations begun.

In the US, which is expected to account for about half of Astra's business in the current year, the range of products produced by the Walters engineering group had been expanded to include large and medium calibre ammunition.

● COMMENT

There is no gain-saying that Astra, the shares of which have underperformed the market by nearly 50 per cent during the last year, has an image problem in the City. But, though the story may not catch on, now that it has taken over BMARC with its top-class manufacturing facility, Astra clearly is emerging as a competitor of Royal Ordnance in the UK. And the integration and development of its North American operations appears to be part of a well thought-out plan. Those analysts that looked yesterday were encouraged by the size of the order book as well as the impressive reduction in the tax charge. A top-end forecast of £11m pre-tax for the current year puts the shares on a prospective multiple of only just over 7: attractive considering, even if the City has not been appreciative, its progress cannot have gone unnoticed elsewhere.

Progress continues as Turnbull Scott rises 44%

TURNBULL SCOTT Holdings, which has interests in ship owning, acoustics engineering, safe distribution and property development, continued its progress with a 44 per cent increase in pre-tax profits for the six months to September 30.

The taxable figure of £714,000 (£495,000) was achieved on turnover 42 per cent ahead at £8.73m (£6.18m). The tax charge was £45,000 lower at £250,000, helping earnings jump from 4.7p to 10.5p per £1 share. The interim dividend is raised to 2.15p (adjusted 1.19p).

There was an extraordinary credit of £734,000 (£79,000).

Following the disposal of loss-making vessels last year, shipping showed a substantial improvement.

Profit rise for First Technology

First Technology, manufacturer of safety systems and equipment for the security, fire detection and protection markets, raised sales and profits by 86 per cent in the six months to October 31 1988. The taxable figure rose from £1.03m to £1.92m on turnover ahead from £6.54m to £12.14m.

During the period the company changed its name from First Security Group and made a 1-for-2 rights issue, raising about £14.7m. An interim dividend of 2.5p (1.7p) has been declared on earnings per 10p share of 11.9p (6.9p).

Sterling, relocation and research hit Neotronics

A 32 per cent contraction in taxable profits was reported by Neotronics Technology, Hertfordshire-based manufacturer of gas detection and analysis instruments and medical equipment, for the 12 months to September 30.

The pre-tax result of £1.83m (£2.68m) came on turnover just 4 per cent higher at £10.73m (£10.33m). Mr Paul Gotley, chairman, said the results were adversely affected by the strength of sterling, increased research and development expenditure and loss of production efficiency through relocation.

However, he stated that the investment made by the company would begin to bear fruit in the current year. A high proportion of Neotronics' production is exported, mainly to North America, and margins were under pressure due to the strong pound. Mr Gotley said the group had covered most of its expected foreign currency requirements for 1989.

Earnings per share fell to 4.86p (7.73p). The recommended final dividend is maintained at 1.2p making 1.8p (1.2p) for the year.

Confidence as Douglas jumps 71% to £3.72m

Robert M Douglas Holdings, civil engineering, building and contracting group, yesterday unveiled pre-tax profits 71 per cent ahead to £3.72m for the six months to end-September.

Mr John Douglas, chairman, said he expected that results for the full year would show a "significant increase over those for the previous year."

The result was achieved on turnover up 41 per cent from £86.78m to £122.63m. Earnings per share worked through at 15.1p (8.1p) and the interim dividend is raised to 2p (1.3p).

Debenham Tewson rises 64% to £3.51m halfway

By Paul Cheeseright, Property Correspondent

DEBENHAM TEWSON & Chinnocks, chartered surveyor and estate agent, lifted interim pre-tax profits by 64 per cent and increased its dividend for the period by 33 per cent.

The results reflect the general buoyancy of the property sector, an increased share of the market and the effect of acquisitions.

Pre-tax profits for the six months to last October were £3.51m, compared with £2.14m in the same period of 1987. Earnings per share rose to 7.28p (5.11p).

The interim dividend is raised 0.5p to 2p.

Turnover in the first half rose 45 per cent to £14.24m (£9.84m). There was an improvement in margins as staff costs fell fractionally and other operating costs were held at 28.8 per cent of turnover (30.2 per cent).

The trend towards increased profits should continue in the second half unless there are sudden and radical changes in the market and the pre-tax result for the year may be close to £8.5m.

COMPANY NEWS IN BRIEF

BET has acquired two private Belgian waste management companies, Pletincx and Antwerp Waste Management, for a total BFr 50m (£0.8m). The two companies have combined annual revenues of BFr 125m.

BOC GROUP holders were told that the company had made a satisfactory start to the current year and is on track to meet expectations for further increases in profits and earnings per share. Mr Richard Giordano, chairman and chief executive, said that this improved performance for the year as a whole would be across all the company's businesses.

CORAH: proposed acquisition by Charterhall group declared unconditional as to acceptances. Corah has received £2.8m on sale of certain factory premises, and agreed to dispose of balance of surplus requirements at Leicester for £2.5m. Aggregate pre-profit over book values is £1.4m, to be used in reducing bank borrowings.

CUNDELL GROUP: offer from Jefferson Smurfit unconditional with acceptances from holders of 16.99m shares (94.4 per cent). This brings holding up to 95.5 per cent.

DEWHURST raised pre-tax profits by 25 per cent from £589,868 to £739,013 in the 53 weeks to October 2 on sales up from £5.29m to £6.29m. Directors of the company, which manufactures electrical control equipment, propose a final dividend of 1.16p, making total of 1.74p (1.41p). Earnings 6.45p (5.04p).

EADIE HOLDINGS is buying MagnaVac Air Systems, of Oldham, from the receivers, for £162,000 cash. Eadie is engaged in transport equipment and wire; the acquisition puts it into the materials handling and environmental controls sector.

GRANADA GROUP is selling its remaining six cinema sites for £4.4m cash. Five of the sites have been purchased by Cannon for £3.3m. The other cinema, in Bedford, is being sold to a property development company.

GUINNESS has bought 4.2m of its stock units at 331.15p. Total purchases to date are 49.93m shares.

HALMA has acquired Medical X-Ray Supplies for an initial £2m, satisfied as to a vendor consideration issue of 1.11m new ordinary shares. Further consideration of up to £1.5m is dependent on profits.

IAWS GROUP, is paying I£3.25m (£2.69m) for Unigrain, a leading importer and trader of ingredients for the Irish compound feed industry. Unigrain's sales for the year to June 30 1988 were £28m and pre-tax profits £319,000.

JOHNSON FRY shareholders accepted the offer from LIT Holdings in respect of 12.35m shares (85.9 per cent). Offer unconditional and remains open.

MANDERS (HOLDINGS) has announced the proposed acquisitions of the UK liquid ink assets of Johnson & Bloy and the whole of the issued share capital of Johnson & Bloy Inc. based in Canada and the US. Maximum consideration is expected to be about £5.4m. In the year to December 31 1988, turnover of the acquisitions is expected to be about £12m.

MAXWELL COMMUNICATION Corporation has sold its list of children's books trading under Macdonald Children's and Educational Books, Beehive and Purnell, to Simon and Schuster of New York for £7.45m cash.

PARKWAY GROUP says 11.43m shares issued in connection with the rights issue have been allocated to sub-underwriters at 220p per share.

PHOENIX TIMBER Group has acquired 6.5 acres of undeveloped land at Hixon Airfield, Staffs, to accomodate a planned £1m expansion of the timber related building component design and manufacturing activities of its Phoenix Cox Lm subsidiary.

PRINTECH has acquired Kenmore Press, of Boston (Mass), which prints brochures and catalogues, for £2.15m (£1.2m). This and part of Printech's capital expenditure programme being funded through vendor placing of 963,908 ordinary, and a placing of 655,067 shares at 115p to raise £2.46m.

TACE's US subsidiary, Andersen Samplers, has acquired the trading assets and associated intellectual property of Spirotech, a privately-owned maker of spirometers based in Atlanta, Georgia. Initial consideration was $343,000 (£190,000) with additional royalties payable at 7 per cent of net sales of trade acquired in each of the seven years ending on date of purchase.

TOP VALUE Industries is acquiring, through its subsidiary Continental Textiles (Manchester), the goodwill and certain assets of Andrea Paul. The consideration is £496,000 cash. The assets include all the trade names, trade marks, designs and stocks of the business, which is engaged in the sale and export of underwear.

WPP GROUP'S recruitment advertising arm, Thompson Recruitment Advertising, has acquired New York-based Donahue and Associates Advertising for an initial payment of $1.4m. Further payments up to a maximum overall consideration of $6.5m depend on profits over the next five years.

Hawthorn Leslie 25% expansion

Each of the businesses of Hawthorn Leslie Group, USM-quoted industrial holding company, showed good growth during the 12-month period to August 31 1988, Mr Remo Dipre, chairman, said, announcing pre-tax profits 25 per cent ahead from £3.2m to £4.1m.

Turnover improved by 50 per cent from £55.22m to £83.02m.

The directors are changing the group's year-end to December 31, are paying a second interim dividend of 0.2p and intend to propose a final of 0.2p. Earnings for the 12 months rose from 1.46p to 1.74p per 3p share.

Tax took £913,000 (£633,000).

SHARE STAKES

Changes in company share stakes announced recently include:

Computer People: A.C. Vickers, director, disposed of 35,000 ordinary (0.28 per cent) at 192p per share, making total 2.06m (16.3 per cent).

Dobson Park Industries: M and G Investment holds 15.63m ordinary shares, or 14.98 per cent of voting rights.

Ewart: Patrick David Wyman has acquired further 30,000 ordinary and now owns 1m shares (6.48 per cent).

Fairey Group: Standard Life Assurance Company purchased 1m ordinary increasing total to 2.25m ordinary (6.814 per cent). All shares registered in the name of Bank of Scotland (Stanlife) London Nominees.

F and C Enterprise Trust: Equitable Life Assurance Society acquired 1m ordinary making total holding 17.68m (20.32 per cent).

F and C Eurotrust: BS Pension Fund Trustee acquired 1.5m ordinary (9.33 per cent); these shares are registered in the name of British Steel Pension Fund.

Johnson Fry: Smith New Court Securities now owns 706,647 ordinary (5.13 per cent).

Northwest Exploration: Transcontinental Holdings disposed of 600,000 ordinary (4.4 per cent); Sean Quinn (Quarries) acquired 300,000 ordinary making 970,000 (4.11 per cent).

Phoenix Timber: Scottish Amicable Investment Managers have increased their interest to 2.09m ordinary (14.5 per cent).

Third Mile Investment: West Nominees disposed of 80,687 ordinary at 250p and now holds 124,000 shares (5.17 per cent).

Vivat Holdings: Compagnie de Navigation Mixte has raised holding to 11.18m ordinary (27.13 per cent).

Watts Blake Bearne: Ceramic Holdings has purchased a further 125,000 ordinary and is now interested in 3.77m (18.49 per cent). Holding is viewed as a long-term trade investment.

World of Leather: Baillie Gifford and Company now holds 560,000 ordinary (7 per cent).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interim- Goode Durrant.
Final- Great Western Resources.

FUTURE DATES

Interims-	
Black (Peter)	Feb. 2
Brunning	Jan. 18
Hamburger Brooks	Feb. 15
McKay Securities	Jan. 24
Finals-	
Aukett Associates	Jan. 17
Barr (AG)	Jan. 16
Cardiff Property	Jan. 19
Hillsdown	Mar. 15
Johnstones Paints	Jan. 17
Kershaw (A)	Jan. 26
Rank Organisation	Jan. 25
Royal Insurance	Mar. 1
Sedgwick	Feb. 27
Trusthouse Forte	Jan. 19
Wilding Office Equipment	Jan. 31

THE PROPERTY MARKET

Paul Cheeseright, Property Correspondent, reports on two tales of investment

The attraction of overseas

The Lee brothers – Alan, 31, and Edward, 29 – travel a good deal, to Washington, New York, Chicago, Bristol. They have £150m of property to look after.

They are the sons of Arnold, once the chairman of Imry Property. The family sold out of Imry in January 1987 and walked away with around £20m. Then they turned their attention to a new and private company called Princeton Investments.

Retrospectively, the Lee brothers accept that, had the family held on for a few months longer, there would have been a higher price for the Imry Property interests. But the takeover market was very active at the time: it seemed reasonable to realise some capital.

Now, Princeton is operating in a UK market which, the Lees think, shows signs of overheating. So, armed with the takings from Imry, their sights have increasingly turned abroad. Of the £150m portfolio, £110m worth is overseas, largely in the US and France. The proportion will soon be increased when the purchase of properties, once owned in the US by Imry Property and now held by Imry Merchant Developers, the successor company, is completed.

That connection with the US has made it easier for the Lees to consider overseas operations. They are not making a leap in the dark. And the process has been encouraged by the rising unit prices in the UK. Bidding for properties on the home market, the Lees found themselves second or third, and, once, 20th.

They accept that the investment market is strong, but, with a special reference to central London, Edward made the point that "there is so much capital coming into England because it is seen as a safe bet. That's keeping the market buoyant. Whether the underlying factors for this are there is another question." It is at this stage that people like Robert Windborne-Brown, the subject of the accompanying article, come into the picture.

Overseas, of course, the yield structure of the different property industries is different and this is what attracts the Lees. They like the ability to buy into markets where the rents are not inflated. They like an 8 per cent yield and lower borrowing costs than currently exist in the UK.

They are not alone in this. There has been a succession of British property companies over the years which have sought the same sort of diversification as the Lees, found investments, but failed to make any money.

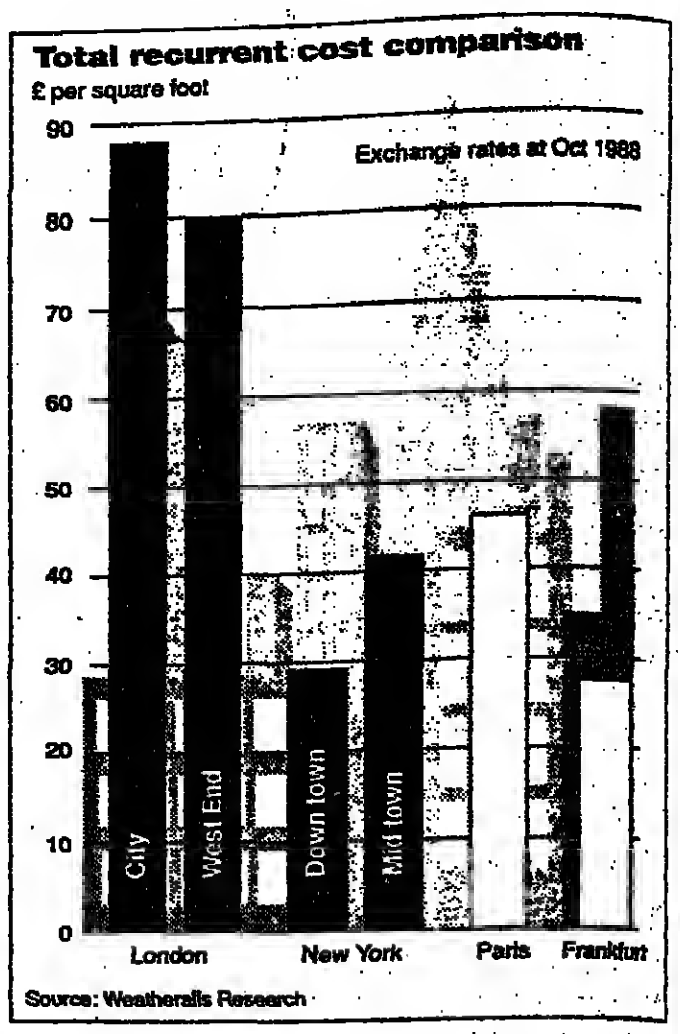
Now there is a growing feeling in the British industry that both France and Germany are undervalued, Spain is in fashion and the US remains a magnet. Whils the yields in, for example, the US, tend to be higher, the downside is that leases are shorter: it is necessary to work much harder at a property to make it pay.

This is one reason why the Lees favour the purchase of multi-tenanted property. There is not only the prospect of short term cash, but also a greater facility to raise rental levels as tenants change.

Factors like this have been behind the $42m purchase of a 240,000 sq ft building in Washington, purchased from Olympia & York. In New York, close to the Hammerson office project on Fifth Avenue, they have bought an 85,000 sq ft building, constructed in the 1920s.

In a slightly different category, they have turned their attention to France where they bought the twin towers of Les Mercuriales on the east side of Paris – an area which is not currently fashionable for offices but which is on the main access roads to the city. The attraction here is that rents are beginning to creep up – they average the equivalent of £9 a sq ft compared with £25 on the western side of Paris.

Over these transactions, Mr Arnold Lee exercises a broad supervision. He has what Alan and Edward call an overview role. But, said Edward, "we run around and do the things that need to be done and present him with the decisions to make."



Bringing in the Scandinavians

SHORT-TERM trends in the British property market do not worry Robert Windborne-Brown. Ideas that it is overheating are of much less significance than the fact that Scandinavian companies need a foothold in the European Community and feel comfortable about the UK.

One of the recent characteristics of the domestic property scene has been the inflow of capital from Scandinavia, both for investment and development. Mr Windborne-Brown is helping to bring it here.

He is English by birth and education but has been in Stockholm since the early 1970s. He speaks Swedish. He has a Swedish wife. Now 45, he keeps homes in both Stockholm and London. Windborne International, his private company, acts both as an investor and developer in its own right and a catalyst for the investment of others.

Windborne brought Skanska, the largest Swedish construction and property group, into the UK market to develop an office and residential complex at Thomas More Street, just east of the City of London, and to develop an office and retail complex at Monument underground station, also in the City. Windborne has 15 per cent of the equity in the first and 25 per cent in the second.

There is little doubt that Scandinavian investment, helped by some aggressive bank lending, is helping to underpin the investment property market, especially in the City and Mr Windborne-Brown gives five reasons for this:

- Swedes feel at home in the UK; they are attuned to the language and culture
- There is confidence in the vigour of the British economy and a belief in "the restructuring of the system to harness its inherent strengths"
- The UK is receptive to foreigners and there are no legislative or social barriers to their activity
- London is an international market, governed by international factors, so it will retain a stability independent of the *national economy*
- There is much to be done in the UK, rehabilitating the built fabric of the country – much more than there is in Sweden.

Underlying these reasons is the fact that many Scandinavian companies are forced to look abroad for expansion because their domestic markets are too small.

Windborne International's first big project, in 1975, was a housing development with a commercial element in Iran. It now has an involvement in developments with a completed value of around £700m where it has an equity stake of between 15 and 40 per cent. "I *prefer to aim for* very large projects where we have a minority stake rather than tackle small projects," said Mr Windborne-Brown.

His style is to find the development possibility and finance it through to the planning stage, at which point he searches for a strong partner.

He wants projects which are centrally located and, in the British context, his horizons are wider than central London. He is working on projects, which may or may not materialise, in the central areas of Birmingham, Manchester, Edinburgh and Glasgow.

FT LAW REPORTS

No Hague-Visby time bar on theft case

THE CAPTAIN GREGOS
Queen's Bench Division
(Commercial court):
Mr Justice Hirst:
December 21 1988

A CLAIM for misdelivery of cargo is not subject to the one-year limitation period laid down in the Hague-Visby rules, irrespective of whether the misdelivery was made honestly or dishonestly, or arose out of an alleged theft by the carrier.

Mr Justice Hirst so held when giving judgment for the second and third defendant cargo-owners, Phibro Energy AG and BP Oil International Ltd, on an originating summons by the plaintiff carrier, Compania Portorafti Commerciale SA of Panama, as to whether a claim in tort arising out of alleged theft of cargo by Portorafti was time-barred under the Hague-Visby Rules. The first defendant, Ultramar Panama Inc, had not been served and played no part in the case.

Article I of the Hague Visby Rules provides: "(c) 'Carriage of goods' covers the period from the time when the goods are loaded on to the time they are discharged from the ship."

Article II: ". . . under every contract of carriage of goods by sea the carrier, in relation to the loading, handling, stowage, carriage, custody, care and discharge of such goods, shall be subject to the responsibilities and liabilities, and entitled to the rights and immunities hereinafter set forth."

Article III: "(2) . . . the carrier shall properly and carefully load, handle, stow, carry, keep, care for and discharge the goods carried . . . (6) . . . the carrier and the ship shall in any event be discharged from all liability whatsoever in respect of the goods, unless suit is brought within one year of their delivery or . . . when they should have been delivered."

HIS LORDSHIP said that on May 24 1984 the Captain Gregor was chartered from the carrier to carry a cargo of crude oil from Egypt to Rotterdam.

On May 25 the cargo was sold by Ultramar Panama to Phibro Energy. Phibro resold it to BP. It was loaded at an Egyption port and was discharged to BP in Rotterdam on June 16 and June 17 1984.

The contracts of carriage contained in the bills of lading incorporated the Hague-Visby Rules. On June 17 1985 the period (if applicable) for commencing suit under Article III rule 6 of the Rules expired.

On December 5 1985 the cargo interests, Phibro and BP, claimed the carrier had stolen oil valued at $261,000 by diverting it into a gathering space on board and not delivering it to those entitled to it.

On January 28 1987 the carrier issued the present originating summons. The central issue was whether the one-year time bar in favour of the carrier laid down in Article III rule 6 applied to a cargo-owner's claim in conversion based on the alleged theft of cargo by the carrier himself.

The Hague-Visby Rules were enacted into English law by the Carriage of Goods by Sea Act 1971, repealing its 1924 counterpart which enshrined the original Hague rules. The amendments came about as a result of a conference in Stockholm in 1968.

Mr Teare for the plaintiff carrier submitted that the allegation of theft concerned "custody, care and discharge" of the cargo under Article II and that theft during discharge was a breach of the obligation under Article III rule 2 properly to discharge.

He submitted he was entitled to invite consideration of the proceedings of the Stockholm conference as an aid to interpretation and construction.

In *Gatoil [1985] AC 255*, which concerned a comparable Convention, Lord Wilberforce referred to the "cautious use of *travaux préparatoires*". He said the legislative intention of the relevant statute was manifest and that that interpretation was legitimately aided by consideration of extrinsic material.

The present Article III rule 6 was adopted at Stockholm in line with a sub-committee's recommendation, other than its recommendation for an extended limitation period in the event of delivery to a non-entitled person.

The relevant wording of the original Hague Rules was "shall be discharged from all liability in respect of loss or damage unless suit is brought." The the effective change was the introduction of "whatsoever" and replacement of "in respect of loss or damage" by "in respect of the goods".

Mr Teare submitted that the Stockholm proceedings demonstrated a very clear legislative intention to include within the time bar claims in respect of intentional wrong delivery, and that it was to be interpreted broadly so as to include all types of wrong delivery including theft by the carrier.

Mr Milligan for the cargo interests submitted that the essential starting point was the wording of Article II. He said it did not apply to possessory or proprietary rights, but to the carrier's standards of care from inception of loading through intermediate stages up to discharge. None of the language of Article II, he said, was in any way appropriate to embrace obligations as to delivery.

He relied on Lord Justice Kerr's description in *Strathnewton [1983] 1 Lloyd's Rep 213* of the nature of the Rules as "something in the nature of a package" which balanced or mitigated the carrier's duties.

The package terminating with discharge had no bearing on delivery, said Mr Milligan. It followed that delivery was outside Article III rule 6 since "all liability whatsoever" could not extend beyond the Article II package.

In view of the very clear wording, he contended, there was no warrant for recourse to the Stockholm proceedings for interpretation of Article III rule 6 in the light of Lord Wilberforce's speech in *Gatoil* such recourse should only be undertaken cautiously and for no greater purpose than to reinforce a *prima facie* conclusion.

The first question was whether delivery was within the scope of the Article II package.

Article II described the various stages at which the carrier bore responsibilities and liabilities and was entitled to rights and immunities. That began with loading and ended with discharge of the goods, with the intermediate stages of handling, stowage, carriage, custody and care in between.

All those were functions of transportation beginning when the goods started to be put on board, and ending with the moment when they were finally unloaded.

The package so described seemed inherently inapt to embrace misdelivery, which imported concepts of possessory or proprietary rights alien to the carefully listed transportational stages.

That view was reinforced by the definition of "carriage of goods" in Article I (e).

Once the conclusion was reached that delivery was outside the scope of Article II, the key Article, it must inexorably follow that misdelivery of any kind was outside the scope of Article III rule 6, since the carrier was under no "liability" in that respect.

The Stockholm discussions could not properly be invoked to support a contrary view, having regard to the criteria laid down in *Gatoil*.

Thus, as a matter of construction, misdelivery, whether dishonest, honestly intentional, or merely mistaken, was entirely outside the scope of the Rule.

The Stockholm discussions tended to demonstrate a legislative intention to apply the time limit in cases of wrong delivery, but there was no mention of theft by the carrier. Nothing in the discussions tended in the slightest degree to support a view that there was a legislative intention that the time limit should apply in cases of alleged theft.

Consequently, even if intentional wrong delivery had been within the scope of the rules, contrary to the court's conclusion, it would still have declined to hold that theft by the carrier was within their scope.

For the carrier: Nigel Teare (Lewis Moore & Co)
For the cargo-owners: Iain Milligan (Clyde & Co [who were not instructed prior to expiry of the one-year period])

Rachel Davies

CORRECTION:
In Arco British Ltd v Sun Oil Britain Ltd, FT December 20 1988, Lord Justice Staughton gave a dissenting judgment, not a concurring judgment as stated. The conclusion of the report should have read as follows:

The Vice-Chancellor gave a concurring judgment.

LORD JUSTICE STAUGHTON dissenting, construed the contract as providing for the Arco method of calculation. He said the question was not whether one could imply a term excluding the use at the wells of seismic sections in preference to well data. It was whether the contract provided for a method which was mandatory and which had that result. It was plainly the parties' intention to lay down mandatory provisions, and they had specified the Arco method.

COMPANY NOTICES

NATIONAL BANK OF CANADA
USD 200,000,000
FLOATING RATE NOTES
DUE JULY 1996

For the six months, January 11, 1989 to July 10, 1989, the rate of interest has been fixed at 9 5/8% P.A.

The interest due on July 11, 1989 against coupon nr 6 will be $ US 1 209,51 and has been computed on the actual number of days elapsed (181) divided by 360.

The Principal Paying Agent,
SOCIETE GENERALE
ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

NACIONAL FINANCIERA S.A.
US DOL 100,000,000
FLOATING RATE NOTES
1978/1993

In accordance with the terms and conditions of the above mentioned floating rate notes, the interest applicable for the period from January 11, 1989 to July 11, 1989 (181 days) has been fixed at 10⅛ percent per annum.

Interest payable on each note of USDOL 1,000 on July 11, 1989 against Coupon No 23 will be US DOL 53.11

Banque Internationale a Luxembourg
Societe Anonyme
Fiscal Agent

LEGAL NOTICES

PETITIONER: STANLEY GIBBONS HOLDINGS PLC
IN THE HIGH COURT OF JUSTICE
NO. 007242 of 1988
CHANCERY DIVISION
IN THE MATTER OF STANLEY GIBBONS HOLDINGS PLC
- and -
IN THE MATTER OF
THE COMPANIES ACT 1985

ADVERTISEMENT OF DAY FIXED FOR HEARING PETITION

NOTICE IS HEREBY GIVEN that a Petition was on 8th December 1988 presented to Her Majesty's High Court of Justice for the confirmation of the reductions of the capital of the above-named Company from £6,000,000 to £5,408,000, by the cancellation of the 592,000 Redeemable Preference Shares of £1 each, by the cancellation of the share premium account of the Company and the further reduction of the capital from £5,408,000 to £4,056,000 by the cancellation of 2½p on each of the issued Ordinary Shares and by reducing the nominal amount of all the issued and unissued Ordinary Shares from 10p to 7½p.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable mr Justice Millett at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday, 23rd January 1989.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reductions of capital should appear at the time of hearing in person or by Counsel for that purpose. A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

DATED this 6th day of January 1989

ROBERT & RICHARDS
Royal London House
22/25 Finsbury Square
London EC2A 1DS

Tel: 01 588 1137
Ref: 206/15914.8/MG

Solicitors for the above-named Company

NO. 00 7064 of 1988
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF APOLLO METALS PLC
-and-
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 2nd December 1988 presented to Her Majesty's High Court of Justice for the confirmation of the cancellation of (1) the Capital Redemption Reserve Fund of £382,621 and (2) £781,179 of the Share Premium Account of the Company.
AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr. Justice Millett at the Royal Courts of Justice Strand London WC2 2LL on Monday the 23rd of January 1989.
ANY Creditor or shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said cancellation of the Capital Redemption Reserve Reserve Fund and of the said Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose. A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge of the same.
DATED this 11 day of January 1989.
Gold Mann & CO., 60 Fleet Street, London. EC4Y 1EJ.
Solicitors for the above Company.
0965C

INSOLVENCY ACT 1986
PERSTRONIC MEDICAL INDUSTRIES PLC

NOTICE IS HEREBY GIVEN, pursuant to Section 98 of the Insolvency Act 1986, that a Meeting of the Creditors of the above-named Company will be held at The London Chamber of Commerce, 69 Cannon Street, London EC1 on the 18th day of January 1989 at 12 noon for the purposes mentioned in Sections 100 and 101 of the said Act, that is,

1. The nomination of a Liquidator
2. The appointment of a Liquidation Committee

Proxy forms to be used for the purposes of the above meeting must be lodged, accompanied by statements of claim, at the Registered Office of the Company, situated at Booth, White & Co., 1 Wardrobe Place, Carter Lane, St. Pauls, London, EC4V 5AJ not later than 4 p.m. on the 17th day of January 1989.

Notice is also hereby given, pursuant to Section 98(2)(a) Insolvency Act 1986, that P.W.J. Hartigan of Booth, White & Co., 1 Wardrobe Place, Carter Lane, St. Pauls, London EC4V 5AJ is qualified to act as an insolvency practitioner in relation to the above Company and will furnish Creditors free of charge with such information concerning the above Company's affairs as they may reasonably require.

Dated this 4th day of January 1989
By order of the Board
Director/Secretary
Signature attested by Philip Baldwin
Description: Solicitor

In order to prevent any possibility of a printing error, the name of the Director or Secretary who has signed the above notice should be written below in block capitals.

D.F. RAMSAY

M.L. HOLDINGS PLC
Ordinary Shares of 5p

NOTICE IS HEREBY GIVEN that the Transfer Books and Registers of Members will be CLOSED on 27th January 1989 only.

By Order of the Board
J D Loveridge
Secretary

No 006825 of 1988
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
WILTON GROUP PLC
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 20th December 1988 confirming the reduction of the capital of the above named Company from £7,500,000 to £2,700,000 and confirming the reduction of the amount standing to the credit of the Share Premium Account of the Company by £3,013,876, and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on the 29th day of December 1988.

DATED the 10th day of January 1989

Memery Crystal
31 Southampton Row
London WC1B 5HT
Solicitors for the above named Company

LFRES010589

CLUBS

ART GALLERIES

COMPANY ANNOUNCEMENTS

Announcement

SRI International is pleased to announce the appointment of David McWilliam as Senior Adviser, Financial Services Europe.

SRI International, Menlo Park House
4 Addiscombe Road, Croydon CR0 5TT, England
Tel. 01-686 5555 Fax. 01-760 0635

APPOINTMENTS

OBITUARIES

Diane Maslowski was born August 10 1958 and died December 21 1988 aboard Pan Am flight 103 which was blown up over Locherbie, Scotland, en route to New York City. She was the loving daughter of Norma and Stanley, and sister of Michael, 27; Steven, 26; and Susan, 29.

Diane was an accomplished foreign exchange and bond trader with Drexel Burnham Lambert's London office. While her brilliance in the city's financial community was exemplary, her lifelong passion was ballet. It was her daily recreation and window to the appreciation of fine arts, which she wanted to return to. Love is the "will to extend one's self for the purpose of nurturing one's own or another's spiritual growth". What set Diane apart both in the City and in dance was her remarkable gift of enjoying life through her ability to give to those around her. Her friendship was easy to accept because she gave so much.

Her memorial fund, set up to provide dance scholarships for the poor and underpriveleged would have pleased her.

U.K. : Diane Maslowski Dance Appeal
National Westminster Bank
41 Lothbury, London EC2
Account 00654000, Attn: Mr Wilson

U.S. : Diane Maslowski Fund
Community National Bank
222 Haddon Avenue,
Westmont, N.J., 08108
Attn: Gerald Baumiller

COMMODITIES AND AGRICULTURE

Traders say coffee rally has run out of steam

By David Blackwell

COFFEE PRICES fell sharply again yesterday in London and analysts believe that the market has seen the last of the recent bull run.

The second position futures contract for robusta on the London Futures and Options Exchange (Fox) closed down £23 at £1,158 a tonne in volatile trading which saw an opening low of £1,120 and a high of £1,160 a tonne. Last Friday it closed at an 11-month high of £1,270 a tonne.

"We believe we have seen the peak of the market," said Mr Arthur Cherry, analyst with E.D. & F. Man, pointing out that the International Coffee Organisation's 15-day average indicator price had fallen for the first time since mid-November.

The average indicator price fell yesterday to 132.73 cents a lb from 132.98 cents a lb.

The London robusta market, traditionally regarded as the professional market, has been closely following the volatile swings in New York, which trades arabica futures. Yesterday the New York market opened with a further decline after going limit down (the maximum fall allowed in one day's trading) on Wednesday as speculative money was shaken out, triggering further liquidation of long positions.

The markets took little notice of a statement from Mr Roberto Cardoso Alves, Commerce and Industry Minister in Brazil, the world's biggest producer, that the country's 1989-90 crop could be below 18m bags (60 kg each) after damage from drought.

The figure was regarded with scepticism both by analysts and traders, although the recent rally has been driven almost entirely by fears about the Brazilian crop. The Brazilian Coffee Institute (IBC) recently estimated the crop at 22.9m bags – e sharp cut from early estimates of 40m bags. However, the US Department of Agriculture last week forecast a Brazilian crop of 28m bags – a figure widely regarded as too high.

Meanwhile physical trade in coffee has been slow, with traders standing aside waiting for the recent volatility of the market to die down.

While there appears to be e short-term tightness of supplies of both robusta and arabica coffee, exporters still hold e lot of ICO export stamps for coffee which they have not yet shipped out. In the coming months supplies are likely to catch up with demand, bringing bearish sentiment back

COCOA prices fell below £800 a tonne for the first time since last November during yesterday's trading. But bargain hunters came into the market late, and the May contract closed at £803 a tonne – a fall of £22 a tonne.

The bearish fundamentals – world supplies are set to exceed demand for the fifth year in succession – have been exacerbated by reports that Sucres et Denrees, the French trading house which has bought 400,000 tonnes of Ivorian cocoa, could still have some left to sell.

Under last week's deal with the Ivory Coast, the world's biggest producer, the French trader was reported to have sold on 200,000 tonnes to end users, with the remainder going into store in Europe for two years.

The market also fears that any price rally will draw some of the stored cocoa back into circulation.

UK farmers pay record prices for milk quotas

By Bridget Bloom, *Agriculture Correspondent*

BRITAIN'S MILK quotas have been changing hands at record prices as producers worry about the effects on their profitability of swingeing levies on over-production.

According to Mr Tony Carver, of Bruton Knowles, the chartered surveyors, 25,000 litres of unused milk quota with a butterfat content of 3.96 per cent fetched 53p a litre at the company's auction in the west country town of Gloucester earlier this week. Other lots fetched only e few pence per litre less.

In the first nine months of this quota year (to the end of December) prices ranged between 25p and 45p a litre.

The marked increase in quota prices over the past few weeks are attributed principally to new regulations governing the over-production of milk.

When quotas were introduced by the European Community in 1984, penalties for overproduction were at a low level and were anyway averaged out across all those who exceeded their individual quotas.

However, changes were introduced last year whlch made individual producers responsible for over-production with levies of just over 19 p a litre being charged on all those who were over quota by 8 per cent or more. Similar levies will be made on over-quota producers at the end of the current year on March 31.

Since the UK producer price for milk currently averages 17p a litre producers who fear they will be over quota seem to be rushing to buy quota now, Mr Carver commented.

An active market has developed both in the sale and leasing of quota in the past few years. According to the MMB, some 637m litres of quota were sold in 1987-88 and about 350m litres leased, out of a total UK quota of 11m litres. The average price was 28p e litre.

These figures compare with about 87m litres transferred at a price of 12p in 1984-85, the first year of quotas; 387m litres at an average price of 13.5p in 1985-86; and 583.7m litres at 21p a litre in 1986-87.

● Food from Britain has commissioned a study into the likely effects of the creation of the single EC market on British farmers. The study, to be completed in August, will be carried out by Agro-economic services of Abingdon.

Co-sponsors are the Home Grown Cereals Authority, the Meat and Livestock Commission and the Priorities Board for research and development in agriculture and food.

Zambia's faltering copper giant

Nicholas Woodsworth on the decline of a front rank mining group

WHEN IT comes to doing things on a king-size scale, Zambia Consolidated Copper Mines can hold its own with anyone. Prominently displayed at the company's divisional headquarters in Zambia's northern copperbelt district is a photograph of Prince Charles, in a hard hat, with one of the company's shovels. The prince is not holding the shovel, however, the shovel is holding him, as well as half a dozen members of his entourage.

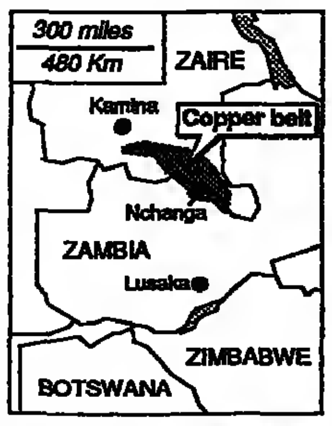
That the scoops of ZCCM's giant electrically-powered open-pit shovels can contain either an entire royal party or 40 tonnes of copper ore at one time is just one illustration of the scale on which ZCCM operates. Many other figures are equally impressive.

For example, the company has created one of the largest man-made features on the face of the earth – an open-cast mine 4 km long, 1 km wide and 360 metres deep. Manpower and logistical requirements are also prodigious – the company and its subsidiaries employ 63,000 workers and, to supply their needs, import into remote and land-locked Zambia over a third of e million different types of items.

There are also figures, however, that are impressive for other reasons, and cause concern not just for ZCCM but for the entire Zambian economy.

Copper has long been Zambia's mainstay, its output providing 90 per cent of the country's foreign exchange earnings. But its position in the front rank of world producers – along with Chile, the US, Canada, and Zaire – is weakening.

Through the 1960s and 1970s Zambia produced an average of more than 650,000 tonnes of copper anually, with output peaking at 720,000 tonnes in



1969. Production has declined rapidly since the beginning of this decade, however, and ZCCM began its 1988-89 financial year last April with a target of only 500,000 tonnes. By the end of the second quarter, however, even that figure was out of reach, with production of finished copper running 17 per cent below target. Pessimists now estimate total output for the year as low as 370,000 tonnes, while more hopeful forecasters put it no higher than 430,000 tonnes.

The great tragedy for Zambia is that production problems in countries such as Chile, Peru, and Zaire, have recently pushed world copper prices to historic highs – in December the London Metal Exchange cash quotation moved briefly above £2,000 a tonne for the first time ever. And e predicted supply/demand of about 100,000 tonnes in 1989 is expected to keep prices high for et least the first half of the year.

Zambia, now experiencing the worst foreign exchange crisis in its history, would dearly love to cash in on these prices. But it is in no position to do so.

"Tbe principal reason for decline in ZCCM output is simple," says Mr Alex Malama, the company's acting director of operations. "Zambia's copper mines are now 50 years old. Copper ore is becoming more and more difficult to extract, and ore grades are gradually diminishing. The industry is not expected to last more than another 20 years."

Certainly these factors are part of the answer – but to them must be added a history of serious management shortcomings dating from the creation of ZCCM in 1982.

The company was formed by the merging of two mining companies in which Anglo-American of South Africa and Amax of the US originally held majority shareholdings. While Anglo-American now owns a 27 per cent equity holding in ZCCM, the Zambian Government, with a 60 per cent share, has the controlling interest.

Explanations of the company's problems by management specialists vary depending on the perspective taken. Most point, however, to human rather than technical difficulties.

According to one American mining engineer seconded to ZCCM, the biggest impediment to day-to-day performance is maintainance. Drilling machines, crushers, pumps, conveyors and cranes break down and stay broken down because they are not maintained and replacement parts have not been ordered.

He cites the example of overburden removal in the Nchanga open pit, which supplys 35 per cent of the company's copper. Operations to expose the pit's orebody have been considerably hampered because only half of the 106 trucks hauling waste material are in working order.

"Rather than looking one week or one month ahead, maintainance personnel should be considering delivery lead times for spares from Europe of 6 months to a year," the engineer says.

A British expert in mine management with ZCCM has only praise for the mine labourers themselves. He maintains that ZCCM's major problem lies in a lack of training, experience, and motivation in upper and mid-level managers directing operations.

"There is a serious lack of forward planning," he says. "Production suffers from a wholly inefficient utilisation of resources, poor co-ordination between different departments, and little notion of accountability. Management lacks a sense of urgency or direction. Another major problem is over-manning, especially above ground, where administrative staff could easily be halved with no ill effects."

Many maintainance and managerial problems are explained by ZCCM's wage-scales and its "Zambianisation" programme.

In 1983 the company was employing 2,000 highly-paid expatriate specialists – today there are less than half that number. Some have left because ZCCM cannot afford to pay them what other companies are offering. Others have been deliberately replaced by Zambians.

Mr Malama admits the need for major reform, and points to managerial restructuring programmes begun last April. But there is little chance that they will have any effect in the next couple of years. And with no plans to change managerial wage-scales or reduce the numbers of workers employed, they may never succeed at all. World copper prices may remain high for months or even years, but ZCCM appears to be losing its race against time.

Canadian coal output up 14.4 per cent

By David Owen in Toronto

PRODUCTION AND exports of Canadian coal advanced strongly in 1988, according to preliminary figures realeased by the Coal Association of Canada.

Output was estimated to have risen 14.4 per cent from the 1987 level to about 70m tonnes, compared with 61.2m tonnes a year earlier.

As e result of price rises secured during the course of the year, however, the increase in the estimated value of that production was higher, at 16.3 per cent, to C$1.91bn (£890m) from C$1.64 bn.

More than 45 per cent of aggregate output was exported. In all exports were up 19.5 per cent to 31.9m tonnes from 26.7m in 1987.

The improvement has been widely attributed to strong demand and dwindling stockpiles throughout the world.

Metallurgical coal accounted for the bulk – about 27.7m tonnes – of the country's exports.

Canada produces some 8 per cent of the world's internationally-traded metallurgical coal and boasts a share of about 25 per cent of the key Japanese market for this commodity.

Vietnamese oil company announces big discovery

NORTH VIETNAM has made a big new oil discovery off its south coast, the managing director of Petrovietnam, the state-run oil company said yesterday, reports Reuter from Hanoi.

Dao Duy Chu said in an interview that the new reserves were found late last year about 300 miles offshore, north of the Conson islands, at e depth of about 110 metres (350 feet).

He also said that Petrovietnam would finalise an agreement with London-based British Petroleum next week for a 25-year exploration and production-sharing agreement, the fourth with a foreign company within a period of eight months.

"The oil industry in Vietnam is entering a new stage. We have many contacts with many companies. Our policy is to encourage investment here for crude oil exploitation. We think our contract terms are quite flexible and promising," Chu declared.

He said the reserves at the newly-discovered Big Bear field appeared to be even larger than those at the White Tiger field off the coast near Vung Tau, north-east of Ho Chi Minh City, the only Vietnamese field yet to come into production.

He could give no estimate of the new field's reserves, however.

At the White Tiger field, where five platforms are already operating under a joint venture agreement with the Soviet Union dating from 1981, production reached its target of 15,000 barrels a day in 1988, he said.

The target for 1989 was 30,000 b/d, rising to 100,000 b/d in 1990.

"By 1998 we hope we will have reached more than 120,000 b/d," he said, adding that production would be kept at that level. The field's reserves would last for at least 50 years, he estimated.

Chu said the contract with British Petroleum, which he hoped would be signed in the first quarter of this year, was for a 25-year period.

It covered exploration and production at three blocks off the coast near Da Nang in the central region.

Last year Petrovietnam signed similar production sharing deals with Hydrocarbons India, a Shell-Petrofina consortium and Total of France.

Chu said some representatives of US firms had visited Vietnam, despite a trade embargo imposed by Washington.

Freeport of US makes promising sulphur find

By Kenneth Gooding, *Mining Correspondent*

FREEPORT McMoRan, the New Orleans-based natural resources group, believes it has discovered the first significant Frasch sulphur reserve in North America for 30 years and possibly one of the largest ever found there.

Preliminary indications are that the reserves total 50m long tons.

Freeport is currently using the Frasch process – where sulphur is recovered from deep deposits by melting it in hot water – at 11 other sites.

However, Mr Rene Latiolais, chief executive of Freeport McMoRan Resource Partners, operator of the venture and 62 per cent owned by the New Orleans group, pointed ont that "estimating sulphur reserves can be uncertain and additional wells will be necessary to determine the proved tons of sulphur."

The discovery has beeu made on a 4,560-acre federal lease about 20 miles east of the mouth of the Mississippi River on the Louisiana gulf coast.

Partners in the project are Freeport Resources, with 58.3 per cent, IMC Fertilizer, 25 per cent, and Felmont Oil, a wholly-owned subsidiary of Homestake Mining, 16.7 per cent.

Freeport Resources' sulphur production has averaged 1.6m tons a year *from* 1983 *to* 1987 inclusive. Some of the output goes to its Agrico Chemical fertiliser operations.

Canada struggling to meet flax commitments

By David Owen in Toronto

CANADA, THE world's biggest flax producer, is struggling to meet its market commitments following last summer's prolonged drought which reduced the crop by about 40 per cent.

The adverse weather limited Canadian production to some 450,000 tonnes, compared with about 750,000 tonnes in a normal year. This has already had a severe impact on exports, which were down by a third between August and mid-December, to 240,000 tonnes from 340,000 tonnes a year ago.

The shortfall is now being exacerbated by diminishing *deliveries to Prairie grain companies*. While indications are thet some farmers have already exhausted their meagre 1988 crop, others are believed to be refraining from delivering in the hope of sparking higher prices.

"There is a lot of evidence that they are holding the physical product hoping that prices could go higher," according to Mr Garvin Hanley, *president of* Flax Growers Western Canada.

In Winnipeg, the nearby flax futures contract for March delivery closed on Wednesday at C$419.30 (£196) a tonne – virtually double nearby prices last May but well below the contract high of C$485 a tonne.

Companies are increasingly *offering incentives* in *the form* of free storage or trucking premiums in a bid to coax deliveries from producers.

WORLD COMMODITIES PRICES

LONDON MARKETS

THE THREAT of a renewed mining strike in Peru helped both zinc and copper prices to move higher on the LME yesterday. Three-month zinc closed at a record $1,627.50 a tonne after touching $1,635 in morning trading. Profit-taking in the afternoon took the gloss off prices, but good physical demand, the strike at Finland's Outokumpu and the situation in Peru look set to push the market to new highs, analysts said. Some analysts believe the copper market will also see new highs this quarter, but many operators are now looking for fresh factors to justify the establishment of significant new market positions. Nickel prices were steady, with a nervous market awaiting next Monday's LME stock figures after last week's record one week rise of 4,224 tonnes, a 170 per cent increase over the previous week.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	404.5	403.4	0	0
Feb	405.8	403.2	406.7	404.0
Mar	408.3	407.7	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	10.03	9.86	10.13	9.65
May	10.07	9.90	10.10	9.72
Jul	9.91	9.71	9.91	9.56
Oct	9.67	9.45	9.73	9.30
Jan	9.18	8.78	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	74.02	73.80	74.12	73.75
Apr	75.52	75.45	75.87	75.20
Jun	74.25	74.15	74.47	74.02
Aug	72.12	71.92	72.25	71.85
Sep	71.00	71.60	0	0

Chicago

CHANNEL ISLANDS

The Financial Times proposes to publish this survey on:

Wednesday, 1st March, 1989

For a full editorial synopsis and advertisement details, please contact:

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Regional Manager
on 061 834 9381
(telex 666813)

or write to him at:

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Manchester
M2 5HT

FINANCIAL TIMES

LONDON STOCK EXCHANGE

Equities at best levels for two months

The underlying confidence of the London equity market was amply demonstrated yesterday by the FT-SE 100-share index which powered ahead to close 16.8 up at 1,850.9, its highest level since early November.

The latest display of strength by London equities came as the Secretary of State for Trade and Industry, Lord Young, referred the joint bid by GEC and West Germany's Siemens for electronics group Plessey to the Monopolies Commission. Immediately after the news, which was followed by an announcement that the European Commission would also examine the bid, GEC's joint brokers, BZW, launched a market raid on Plessey which netted a 14.4 per cent stake in the target company.

Account Dealing Dates			
*First Dealings	Dec 28	Jan 16	Jan 30
Option Declarations	Jan 12	Jan 26	Feb 9
Last Dealings	Jan 13	Jan 27	Feb 10
Account Day	Jan 23	Feb 6	Feb 20

*New time dealings may take place from 9.00 am two business days earlier

The market's impressive showing came despite confusion during the so-called pre-market bout of activity which saw the Seaq trading system unable to operate, because of technical problems, until 8.45 am. But the overall mood was one of general confidence, a view which grew in strength as the session wore on.

Many of the market's biggest sectors staged another broad advance with dealers and analysts pointing to a continuation of the recent upsurge in turnover, talk of a stock shortage and a possible general re-rating of the market. London of late, according to one market equity strategist, has lagged behind the rest of Europe "and this is just a catching up process".

The overnight performance of Wall Street, which moved confidently through the 2,200 level on the Dow Jones Average, and the New York market's continued advance during early trading yesterday, gave added thrust to a buoyant trend in London.

The level of activity continued to expand, with turnover, including inter-market/making business, jumping to 794.0m. This figure was way ahead of Wednesday's 581.3m and Tuesday's 565.9m. Monday's 591.4m was boosted by the first official news of a possible consortium bid for GEC itself, details of which are still awaited.

Although the lion's share of yesterday's activity was concentrated in the electronics sector, there was plenty of business in other areas, notably banks, which again responded to a squeeze on short positions held by market-makers.

Lonrho were a major casualty during the market's early exchanges after it was reported that Australia's Alan Bond, who controls a 21.6 per cent stake, had declared in an interview that he had no present plans to bid for Lonrho.

Pharmaceuticals group Glaxo gave an unhappy performance after reports that its hugely successful anti-ulcer drug, Zantac, could soon encounter strong opposition from a similar product developed by the US company, Merck.

Huge Plessey trade

The GEC/Siemens partnership moved swiftly yesterday to consolidate its position in the attempt to acquire Plessey, launching a market raid on Plessey stock after Lord Young, Secretary of State for Trade and Industry, had referred the joint £1.7bn bid for Plessey to the Monopolies Commission.

The raid took place shortly after 10am with BZW, joint brokers to GEC, moving in and acquiring some 89.5m Plessey shares for immediate delivery at 245p cash. The raid took approximately 10 minutes and the shares acquired, together with the near-20m recently acquired by the partnership, lifted the joint stake to around 14.9 per cent of Plessey's equity.

Plessey's shares had earlier fallen to around 213p, upset by the referral. But they responded and eventually ended a session, which saw turnover soar to 198m shares, a net 7½ higher at 233p.

GEC, too, were heavily traded, with turnover reaching 27m shares. The share price dribbled away to 217p early in the day but began to pick up towards midday after some big, apparently Continental-sourced buying of the traded options. The shares peaked at 222p with dealers talking of an imminent statement from the Sir John Cuckney-led Metsun consortium. The statement when it came said talks over a possible bid for GEC were continuing, and GEC shares subsequently fell back to end the day a net 2½ higher at 216p.

STC jumped 9 to 277p with the market taking the view that the company would not participate in the possible GEC bids.

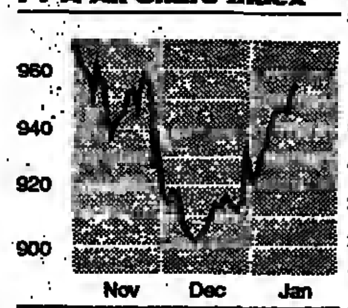
Words from Bond

Thirteen words from Mr Alan Bond sent Lonrho downhill rapidly yesterday. In an interview on Australian television the owner of a 21.5 per cent stake said, "certainly Lonrho is not an acquisition target for us at the present time". The statement immediately quashed City speculation of an impending bid and, with the early failure of Seaq reporting system exacerbating a tense situation, the market reacted sharply.

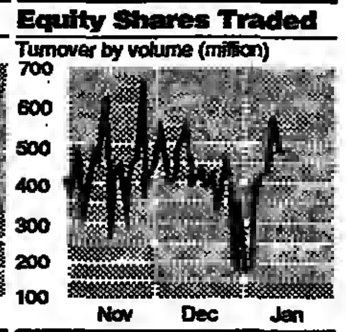
Bid speculators rushed to cut their losses and Lonrho shares dived to 322p before a semblance of normality was restored. Analysts pointed out to a perplexed market it was important to note that the bulk of the Bond holding had been transferred to his unit Bell Resources. Mr Bond's remarks did not preclude a takeover by Bell at some point in the future, said Mr Robert Sassoon of County NatWest WoodMac.

The annual results are due at the end of the month and the dividend must appeal to gross funds, continued Mr Sassoon. Some institutional support emerged after the early onslaught of selling and Lonrho shares recovered as trade became more evenly balanced. They closed 15 down on the session at 335p after turnover of 6.0m shares.

FT-A All-Share Index



Equity Shares Traded



Hammerson revalued

Property group Hammerson — the subject of a hostile £308m bid from Dutch group Rodamco — took what could be a step towards safety yesterday after it released a revaluation of its property portfolio at £2.48bn and a new net asset value (nav) of £10.65 per share. There was some disappointment in the market that the nav was not higher, and consequently Hammerson ordinary fell 27 to 953p and the "A" shares 16 to 873p.

However, a quick straw poll in the market suggested that the new valuation could be high enough to frighten off Rodamco, which may not have the cash to bid above £11-a-share. Rodamco has until next Friday to come up with a new offer, yet as one analyst pointed out, the price it will have to pay has risen considerably since Standard Life increased its stake in Hammerson to nearly 29 per cent on Tuesday.

Standard has said it would consider selling its stake, but only in exchange for paper, because a cash sale would leave it with a unacceptably large tax bill. Yet Rodamco's complex share structure makes any issuance of new paper to fund an acquisition very difficult, said the analyst.

Nordic surprise

The mystery stake-builder in confectionery group Bassett Foods was revealed today when Swedish state-controlled conglomerate Procordia launched a hostile 400p-a-share bid. The offer, which values Bassett at £63m, was made after attempts to negotiate an agreed merger broke down.

Bassett wasted no time in rejecting the approach, claiming that it had "excellent prospects as an independent entity." The consensus among dealers was that Procordia would have to offer at least 450p-a-share, if not more, to stand a chance of success, and the market fully expects to see a white knight or third party step into the fray. Suchard, Nestlé, United Biscuits, Cadbury Schweppes and Thorntons have all been mentioned as possible counter-bidders. Bassett eventually closed 55p higher at 455p as just under ½m shares changed hands in what was a very thin market.

Raid on Camford

Another raid on Camford Engineering by Markheath Securities enabled the property group to increase its shareholding from 11 per cent to 18.4 per cent yesterday. Some 1.38m shares were netted, believed to be at 308p per share. A few days ago, Mr Brian Cox, the Camford chairman, warned shareholders that they could be approached by Markheath and strongly advised them not to sell until receiving advice from the board.

This had alerted the market to the possibility of a raid and late on Wednesday the house acting for Markheath began to acquire stock. It completed the business early yesterday, which suggested that some institutional and other holders had decided not to heed the chairman's advice.

The official announcement of the increased Markheath stake brought a rush of blood to Camford shares and the price shot higher to 228p before easing to close 15 up on the day at 224p. Traders said Camford shares seem to be fairly valued at this level, even taking into account the recently enhanced value of the King's property site. Markheath remained at 168p.

The clearing banks were a lively market, starting what dealers said looked like their traditional run before the reporting season next month. Turnover was described as reasonable, particularly in National Westminster, up 8 at 547p (4.3m shares), Lloyds 9 better at 337p (2m), Midland 8 firmer at 425p (3.5m), and Barclays 5 to the good at 423p (1.9m).

Insurance stocks were again well supported as speculators went into the market early on after South African group Southern Life announced that it was looking to buy a UK life insurer.

In what one trader described as a "very hairy" market, the combination of bid interest, a shortage of stock, and expectations that Legal & General will publish excellent new business figures today, saw most life groups close higher. Sun Life and Pearl led the way with 8-point gains to 921p and 420p respectively, while Legal added 6 at 304p after touching 307p.

Composites were also substantially better as the lack of stock and some hefty buying outside the market quotes — in some cases several points above screen prices - left General Accident 16 firmer at 883p and Commercial Union 7½ stronger at 351½p.

The Brewery sector moved up on vague bid speculation with Allied Lyons and Bass the subject of what one dealer called a "classic bear squeeze." Demand for Allied Lyons, which rose 8 to 454p on volume of 1.9m shares, was encouraged by hopes that Mr Alan Bond might now focus his attention on Allied. One dealer reported speculation that Lord Hanson was in the market for Bass, up 21 to 843p. There was also talk of a big buyer in the market for Whitbread, which advanced 10 to 314p.

Greene King continued to rise, closing 28 ahead at 496p. A leading broking house, which has previously been active for Elders in its bid for Scottish & Newcastle, was reported to bave been buying an undisclosed amount of Greene King stock late in the day.

Electrical retailing group Dixons came in just below market expectations with interim profits of £42m, down from £49.5m last year. The slide in earnings had been expected, and the shares closed 4½ easier at 135p. Better news came from clothes retailer Burton, which revealed at its agm that sales since September are up 14 per cent on last year. However, the company said it had no illusions about how difficult life will be in the High Street this year, and the stock finished 2 firmer at 175p.

Sears rose 4 to 114p on turnover of 3.5m shares as the market reacted positively to the launch of a round-the-clock, 7-days-a-week home shopping service through Sears' mail order unit Freemans.

The rest of the top electronics issues raced higher after the raid on Plessey - "the price paid straight away lifts multiples elsewhere in the sector" said one dealer. The Racal twins were particularly strong, with Telecoms up 5½ more to a record 200½p, on US buying, and Electronics 5 firmer at 297p.

Unigate eased 2 to 340p despite persistent talk this week that there has been renewed Irish buying. The speculation subsequently proved well-founded when it was announced after the market had closed that one of Ireland's largest dairy co-operatives, Avonmore Creameries, had purchased 2.1 per cent of Unigate.

Glaxo fell 14 to 1067p on news that Merck of the US had developed an ulcer drug which will compete with Glaxo's Zantac. One dealer reported that there was particularly stong selling of Glaxo ADRs on Wall Street, where Goldman Sacks had recommended a switch from the stock into Merck.

British Airways climbed 7 to 168p on news that the December traffic figures were encouraging. Prof Roland Smith, chairman of British Aerospace, and Sir Raymond Lygo, chief executive, gave a seminar at Hoare Govett which one analyst described as an "extremely positive, ebullient performance", BAe rose 5 to close at 470p.

Macarthy fell 7 to 247p following disappointing annual profits of £6.1m. Ms Jo Walton, an investment analyst at Shearson Lehman Hutton, said that the company was very confident of a significant turnaround in profits, a statement she found slightly surprising. However, said Walton, the company's share price was still way below break up valna and that made it a bid possibility.

Walker Greenbank were pushed down 9 to 86p on news that it will have to write off £10.6m after an investigation into alleged accounting irregularities at a subsidiary. The figure was at the high end of City forecasts, however, analysts saidthat a fall in share could make the group an attractive target.

Further publicity on the Wytch Farm project, now gathering recognition as a large field, underpinned all of the participants in the project. British Petroleum, the major stakeholder and operator, were again well bought and the old shares gained 3 to 257p and the partly-paid a like amount to 154½p. Premier, with a 12½ per cent interest, picked up 2½ more 70p while Goal, 93p, and Clyde, 104p, rose 3 apiece.

Shell also strengthened, reflecting the current re-rating of many European oil majors, including Royal Dutch.

A very busy day on the Traded Options market ended with a total of 55,066 contracts exchanged, of which 44,065 were calls and 11,003 puts.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 21

NEW HIGHS AND LOWS FOR 1988/89

NEW HIGHS (74).
AMERICANS (2), CANADIANS (2), BREWERS (4) Greene King, Highland Dists., Macallan-Glenlivet, Vaux, BUILDINGS (6) Conder Grp., Gibbs & Dandy, Johnstones Paints, Newarthill, SWP, CHEMICALS (1) Rentokil, ELECTRICALS (3) Menvier-Swain, Polytechnic Elec., Racal Telecom, ENGINEERING (3) Hawker Siddeley, Ransomes Sims, Spirax-Sarco, FOODS (5) Bassett Foods, Low (W.), Meat Trade, Thorntons, Utd. Biscuits Wrrts., INDUSTRIALS (7) Astra AB, Brooks Service, Cooper (A.), Isotron, NMC 7.75pc Acc. Rd. Pf., Tems, Vinten Grp., INSURANCE (1) Amer'n. Int'l. Grp., LEISURE (1) Capital Radio, NEWSPAPERS (1) Daily Mail 'A', PAPERS (1) [illegible] 6¾ pc Pf. 2005, PROPERTY (1) Bradford Props., SHIPPING (1) Sea Containers, TRUSTS (33) OILS (1) Premier Cons., OVERSEAS TRADERS (1) REA Hldgs., MINES (2).

NEW LOWS (23).
CANADIANS (1), STORES (2) Owen & Robinson, Sock Shop Int'l., ELECTRICALS (3) Arlon, Bennett & Fountain, Nesco Invs., ENGINEERING (1) Locker (T.), INDUSTRIALS (5) Keep Trust, Pergamon '88, Security Archives, Sharp & Law, Do. 8½pc Cv. Pf., INSURANCE (1) NZI Corp., LEISURE (1) Int'l. Media Comms., PAPERS (1) Serif Cowells, PROPERTY (1) Waterglade Int'l., TRUSTS (1), MINES (5).

FINANCIAL TIMES STOCK INDICES

	Jan. 12	Jan. 11	Jan. 10	Jan. 9	Jan. 6	Year Ago	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
Government Secs	87.05	87.14	87.18	86.90	86.70	87.56	91.43 (19/4/88)	86.18 (14/12/88)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.56	95.36	95.36	95.09	95.00	94.44	98.87 (25/5/88)	94.14 (5/1/88)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1511.9	1498.6	1503.5	1502.0	1481.3	1398.7	1514.7 (8/8/88)	1349.0 (8/2/88)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	163.8	163.1	164.2	162.9	163.4	264.1	212.5 (7/1/88)	160.7 (3/1/89)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Dl. Yield	4.84	4.88	4.87	4.88	4.95	4.45				
Earning Yld %(full)	12.18	12.26	12.22	12.29	12.46	11.14				
P/E Ratio(Net)(*)	9.94	9.86	9.89	9.84	9.70	11.00				
SEAQ Bargains(5pm)	28,073	26,294	29,333	31,613	22,893	20,191				
Equity Turnover(£m)†	-	1183.57	1229.52	1348.25	1113.54	990.58				
Equity Bargains†	-	28,009	31,786	32,904	25,204	21,164				
Shares Traded (mil)†	-	478.7	479.2	585.6	422.0	314.2				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1501.9	1502.8	1508.8	1511.9	1511.8	1511.1	1509.0	1509.5

DAY'S HIGH 1513.8 DAY'S LOW 1497.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 9.88 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	Jan.11	Jan.10
Gilt Edged Bargains	92.4	103.5
Equity Bargains	161.5	208.0
Equity Value	2392.5	2484.8
5-Day average		
Gilt Edged Bargains	98.9	98.3
Equity Bargains	164.0	176.2
Equity Value	2431.6	2252.2

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	3,900	132½	-½
Allied-Lyons	1,900	454	+8
Amstrad	471	146	
Argyll Group	3,800	248	+4
Ass. Brit. Foods	114	309	+1
BAA	1,200	272	+4
BAT	651	453	+2
BET	1,100	223½	-½
BICC	659	407	+10
BOC	2,400	425	+1½
BPB Inds.	1,400	237	+5
BTR	1,900	310	+1
Barclays	1,900	422	+5
Bass	885	843	+21
Beazer	1,200	186	+2
Beecham	2,200	492	+6
Blue Arrow	2,800	90½	-½
Blue Circle	1,000	457	+10
Boots	2,800	237	+1
British Airways	4,800	168	+7
Brit. Aerospace	2,000	470	+5
Brit & Comm.	2,400	216	+10
British Gas	6,000	180	+1
British Land	318	339	+1
BP	6,800	257	+3
British Steel	40,914	65½	+2
British Telecom	4,400	264	-1
Burmah Oil	253	498	+1
Burton	4,300	175	+2
Cable & Wireless	1,900	371	+4
Cadbury Schweppes	1,600	338	+2
Coats Viyella	969	146½	+½

Stock	Volume 000's	Closing Price	Day's change
Commercial Union	2,900	351½	+7½
Cons. Gold Fields	60	1235	-3
Cookson	979	272	+9
Courtaulds	890	280	+3
Dalgety	178	311	-1
Dixons	4,700	135	-4½
Eng. China Clays	875	464	
Enterprise Oil	1,700	511	+9
FKI Babcock	695	124	+1
Fisons	2,400	243	
Gateway Corp.	4,795	188	+5
General Accident	1,100	883	+16
General Elect.	26,858	215	+2½
Glaxo	3,900	1067	-14
Globe Inv.	331	143½	+2
Glynwed Int.	1,100	275	+7
Granada	457	335	+2
Grand Met.	2,000	453	+4
GUS A	108	979	+4
GRE	1,000	185	+2
GKN	1,500	319	-2
Guinness	1,900	333	+5
Hammerson 'A'	1,200	873	-16
Hanson	16,802	158½	-½
Harrisons & Cros.	236	644	+2
Hawker Siddeley	1,200	571	+7
Hillsdown Hldgs.	2,450	238	-3
[illegible]	277	159	+4
Imp. Chem.	2,700	1072	+3
Inchcape	145	205	+½
Jaguar	1,300	279	+8
Ladbroke	1,100	430	+2

Stock	Volume 000's	Closing Price	Day's change
Land Securities	718	553	-1
Laporte	301	388	+7
Legal & General	2,700	304	+6
Lloyds Bank	2,000	337	+9
LASMO	1,400	496	+3
Lonrho	4,500	335	-15
Lucas	950	546	+11
MB Group	2,500	272	+1
MEPC	502	539	-1
Marks & Spencer	3,900	155	+1
Maxwell Comm.	1,900	194	
Midland Bank	3,500	425	+8
Nat. West. Bank	4,300	547	+8
Next	1,800	136	+3
Northern Foods	919	280	+3
Pearson	851	644	+4
Pearl	654	420	+8
P & O	228	546	+2
Pilkington	2,300	222	
Plessey	195,49	233	+7½
Polly Peck	945	277	+3
Prudential	1,000	155	+½
Racal	4,150	297	+5
Rank Org.	249	733	+12
RMC	302	521	+4
RHM	1,100	364	+3
Reckitt & Colman	258	940	+12
Redland	117	434	+1½
Reed International	203	375	+1
Reuters "B"	1,700	553	+4
RTZ	2,000	454	+9
Rolls Royce	4,600	143	+4

Stock	Volume 000's	Closing Price	Day's change
Rothmans	500	437	+3
Royal Bk. of Scotland	112	367	+6
Royal Insurance	473	395	+4
STC	6,100	277	+9
Saatchi & Saatchi	1,000	346	+2
Sainsbury	1,600	286	+2
Scott & Newcastle	765	399	
Sears	3,500	114	+4
Shell Transport	1,300	346	+9
Siebe	321	418	+3
Slough Ests	228	308	+2
Smith & Nephew	3,600	125	+2½
Standard Chartd.	454	508	+3
Storehouse	5,500	189	-1
Sun Alliance	281	[illegible]	+10
T&N	237	169	
TSB	9,600	189	-1
Tarmac	2,700	[illegible]	+10½
Tate & Lyle	112	847	+1
Tesco	9,710	137	+3
Thorn EMI	609	661	+18
Trafalgar House	1,900	297	+3
Trusthouse Forte	6,400	259	+5
Ultramar	2,000	294	+1
Unilever	252	470	+2
United Biscuits	1,900	313½	-2½
Utd. Newspapers	1,000	381	+2
Wellcome	380	433	+2
Whitbread 'A'	1,700	314	+10
Williams Hldgs.	1,200	242	+7
Wimpey	5,600	202½	+5
Woolworth Hldgs.	894	245	

APPOINTMENTS

Managing director of Moss Bros Group

■ Mr Rowland Gee (*right*) has been appointed managing director of MOSS BROS GROUP. Mr Peter Moss becomes company secretary and personnel director, Mr Michael Gee property director, and Mr Bernard Thomas retail operations director. Mr Neil Benson, Godfrey Davis chairman, joins the board as non-executive director. Mr Terence Donovan continues as finance director. Mr Monty Moss remains group president and Mr Philip Froomberg continues as managing director (wholesale), but both retire from the board.

■ SIMON ENGINEERING has appointed Mr Martin Bright-Evans as managing director of its chemical services sub-group. He was managing director of Hydrovision. Mr David Charlesworth has been appointed regional director of the business development department. He was export marketing director of the Simon Food sub-group.

■ Ms Ann Cavanagh has been appointed financial director of ROMAG HOLDINGS. She was finance director of four subsidiaries.

■ SEA CONTAINERS has appointed Mr Paul Rann as managing director of a new subsidiary, Sea Containers Property Services. He was with Eagle Star Properties.

■ Mr Michael Bucher has been appointed managing director of J.W. SPEAR & SONS. Mr Francis Spear becomes chairman and production director. Mr Bucher joined the board in 1987, and remains president of Harbourdin International, a French distributor for Spears products.

■ Mr Nicholas Calvert, director, trade, becomes director general of the BRITISH FOOTWEAR on the retirement of Mr Michael Feilden.

■ Mr J.R.H. James has been appointed general manager of the LONDON ARAB INVESTMENT BANK. He was with the British Bank of the Middle East.

■ FRASER-NASH GROUP has made the following subsidiary board appointments: Mr Andrew G. Milton, managing director, Fraser-Nash Consultancy; Mr Brian Collins, managing director, Frazer-Nash Automation; Mr Rick McCann, managing director, Frazer-Nash Scientific; Mr Victor Kirk, Frazer-Nash Postal Systems; and Mr John N. Walter, Frazer-Nash Defence Systems.

■ RENDEL SCIENTIFIC SERVICES, part of the High-Point Group, has made the following board appointments: Dr Sam Radcliffe, managing; Mr Melvin Blackaller, contracts and administration; Mr Nigel Bridger, development; Dr Michael Schwar, operations and quality control; and Mr John Simson, marketing.

■ Mr Graham Matthews has joined LYNTON, a BAA company, to take over responsibility for the construction programme. He was with Hunter & Partners.

■ Mr Ken Mills has been appointed a director of GREIG MIDDLETON FINANCIAL SERVICES.

■ C.I. GROUP has appointed Mr Gordon W. Pullan as company secretary and finance director designate. He was group secretary and controller with Foseco.

■ Mr Peter Tyrie resigns as joint managing director of MANDARIN ORIENTAL HOTELS on June 30 when Mr Robert Riley will become sole managing director.

■ Following the purchase of a 25.1 per cent holding in the DELANEY GROUP by Melton Medes Group, Mr James Philpotts, chief executive of Melton Medes, joins the Delaney board as a non-executive director.

■ ELLIOTT INDUSTRIES MARKETING, a subsidiary of B. Elliott, has appointed Mr Keith Pitchford as finance director. He was finance manager for the US operations of Metal Box.

■ GT UNIT MANAGERS, a subsidiary of GT Management, has appointed Mr Nick Train as investment director. He was a senior fund manager.

■ Mr Colin O'Brien has been appointed technical development director of WHITECROFT's textile division from January 16. He was chief executive of Whitecroft's specialist fabrics companies.

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AUTHORISED UNIT TRUSTS

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	43.78	44.26	47.08	-0.41	5.82
Gilts & Fixed Int.	6	111.2	111.2xd	118.1	-0.1	8.47
High Inc Equity	6	115.4	117.5xd	125.6		4.74
Worldwide Bond	6	186.9	186.9	198.1	-1.0	4.90
Capital Growth						
American Growth	6	147.2	148.2xd	158.5	-1.3	1.47
Asian Pacific	6	70.79	71.89xd	76.85	-0.44	1.21
Assets & Earnings	6	136.3	140.5	149.2	+0.2	1.66
Capital Reserve Acc	6	81.32	81.32	81.47	+0.04	4.91
Commodity & Energy	6	90.44	90.44	96.75	+0.06	1.25
1992 Enterprise	6	46.85	47.78	50.82	+0.14	3.54
European Capital	6	74.83	75.35	80.13	+0.09	0.94
General	6	152.0	154.9	164.7	+2.2	2.73
Japan	6	101.1	102.9	109.4	-0.5	0.00
Mastertrust	6	71.28	73.28	78.38	-0.12	1.75
UK Growth Acc	6	179.0	178.0	189.5	+0.3	1.41
UK Growth Dist	6	114.1	119.4	127.0	+0.2	2.09
US Emerging Cos	6	43.72	43.72	46.76	-0.49	0.00
Income & Growth	6	255.2	261.1	277.7	+0.3	3.42
Ethical	6	41.89	42.91	45.64	+0.26	2.74

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0224 633070

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5¼	90.48	90.48xd	93.06	-0.21	2.06
Australian	5¼	22.99	22.99	24.45	-0.01	1.53
European	5¼	49.76	49.76	52.93	+0.19	0.80
Extra Income	5	71.00	37.80xd	40.12		4.97
Fund Inv Tst.	5	102.8	102.8	109.3	-0.20	2.47
Do Accum	5	156.8	156.8	166.6	-0.30	2.42
Gilt & Fixed Inc	5¼	21.71	21.77	23.16	+0.02	10.26
Global Income	5¼	35.42	35.42	37.68	-0.14	5.09
Income & Growth	5¼	63.55	63.56xd	67.61	+0.27	4.45
Japan	5¼	175.1	175.1	186.3	-1.16	0.01
Nth Amer Inc (z)	5	25.23	25.23	26.78	-0.19	4.05
Special Situations	5¼	62.12	62.12	66.09	+0.30	1.29

Brycourt Unit Tst Mgmt Ltd (1400)F

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

Scottish Provident Inv Mgt Ltd (1000)F

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Wardley Unit Tst Mngrs Ltd (0900)H						
99, Bishopsgate, London, EC2P 2LA. 01-374 0961						
American ♦	5¼	56.14	56.14	60.04	+0.19	1.5
Intl Growth	5¼	68.57	68.57	73.33	+0.31	0.4
Income ♦	5¼	123.0	117.1	125.3	+0.90	5.5
Japan Growth	5¼	202.7	205.7	220.1	-1.80	0.1
Pacific Port	5¼	124.4	124.4	133.0	-0.90	0.6
Small Co's ♦	5¼	136.2	136.2	145.6	+0.40	1.6
Technology	5¼	29.09	29.09	31.11	-0.21	0.1
Australia	5¼	60.05	60.05xd	64.22	-0.07	1.7
UK Trust ♦	5¼	160.8	160.8xd	171.9	+1.10	2.8
European Growth ♦	5¼	52.09	52.09	55.75	+0.30	0.4
Hong Kong ♦	5¼	32.02	32.21	34.45	-0.46	1.6
Intl Income	5¼	19.53	19.53xd	20.87	—	0.0
S'pore & Mlyn Gth	5¼	23.30	23.30	24.91	-0.26	0.8
British Winners ♦	5¼	24.79	24.79	26.51	+0.11	2.6
Waverley Unit Tst Mngmt Ltd (1000)F						
13 Charlotte Sq, Edinburgh 031-225 1551						
Australasian Gold	5	16.78	16.78	17.85	-0.12	0.00
Pacific Basin	5	24.50	24.46	25.85	-0.17	0.60
Can Balanced Gwth ♦	5	44.32	44.32	46.93	+0.17	0.10
Ginnie Mae ♦	4	0.9207	0.9207	0.9780	+0.002	8.41
Penny Share	5¼	26.36	26.36	28.04	-0.05	0.50
Wellington Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1 01-407 4404						
Wellington Income	5¼	110.7	112.0	119.3	+0.5	4.90
Wellington Growth	5¼	176.1	177.4	188.9	-1.2	1.26
Wessex Asset Management (1330)F						
1 Richmond Hill, Bournemouth BH2 6HW 0202 299432						
Wessex UK Gwth	4½	95.47	95.91	102.91	+0.05	—
Whittingdale Unit Tst Mngmt Ltd						
2 Honey Lane, London EC2V 8BT 01-606 3132						
Challenger ♦ F	1¼	53.65	53.65	54.82	-0.02	0.00
Short Dat Gilt ♦ F	1¼	80.31	80.31	81.36	+0.02	5.50
U.S. Govmt Bond ♦ F	[illegible]	.5461	.5461	.5445	[illegible]	[illegible]
Willbro Financial Services Ltd (0905)F						
PO Box 515 Austin Friars, London EC2 01-588 7313						
Aust Friars W'wide	5	153.5	154.7xd	164.5	—	13.21
Windsor Trust Mngrs Ltd (1000)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Cornhill & Equity	5	58.77	61.12	65.02	+0.06	7.55
European	5	52.96	53.70xd	57.12	+0.65	2.70
Far Eastern	5	52.96	53.01	56.39	-0.21	1.34
Growth	5	78.25	82.09	87.33	+0.38	2.00
Income	5	74.77	76.25	81.12	+0.38	4.62

	Bid Price	Offer Price	+ or -	Yield Gross
Albany Life Assurance Co Ltd				
3 Darkes Lane, Potters Bar EN6 1AJ 0707 42311				
Life Funds				
Brit Blue Chip Fd Acc(z)	116.2	122.2	+0.2	—
Equity Fd Acc(z)	909.6	957.5	+0.9	—
European Fd Acc(z)	204.5	215.2	-0.2	—
Intl Fxd Int Fd Acc(z)	198.0	208.4	-0.6	—
Fixed Int Acc(z)	335.6	353.2	+0.2	—
Gtd Money Fd Acc(z)	227.2	239.1	—	—
High Income Fd Acc(z)	104.4	109.9	-0.3	—
Intl Man Fd Acc(z)	365.7	384.9	-1.1	—
Japan Fd(z)	296.3	311.9	-1.2	—
UK Smlr Co's Fd Acc(z)	103.2	108.5	+0.9	—
Global Metro	96.8	101.9	-0.1	—
UK Metro	98.0	103.1	+0.2	—
Nth American Fd Acc(z)	161.5	170.0	-1.3	—
Pac Basin Fd Acc(z)	132.2	139.1	-0.1	—
Prop Fd Acc(z)	310.9	327.5	+0.6	—
Multiple Inv Acc(z)	630.3	663.4	-0.3	—
Pension Funds				
Brit Blue Chip Acc(z)	122.7	129.3	+0.3	—
Eq Pen Fd Acc(z)	1703.0	1792.6	+2.2	—
Euro Fd Acc(z)	253.3	266.5	-0.4	—
Fixed Int. Acc.(z)	676.7	712.2	+0.4	—
Gt Money Pn Acc(z)	401.4	422.4	+0.1	—
High Interest	134.3	141.3	+0.1	—
High Income Fd Acc(z)	107.6	113.2	+0.3	—
Intl Man Fd(z)	535.7	563.9	-0.8	—
Jap Pen Fd Acc(z)	420.8	443.0	-2.5	—
UK Smlr Co's Fd Acc(z)	105.2	110.7	+1.1	—
Global Metro	98.0	103.1	-0.2	—
UK Metro	99.7	104.9	+0.3	—
N Am Pn Fd Acc(z)	188.3	198.1	-2.2	—
Pac Basin Fd Acc(z)	148.0	155.8	-0.3	—
Property(z)	332.0	349.5	+1.3	—
Multiple Inv Pens Acc(z)	1228.1	1292.7	-0.7	—
Broker Funds				
Prof. Pen. Fd.	86.9	91.5	—	—
YRA Strategy	110.6	116.4	-0.1	—
Langton Dollar (SE)	137.6	144.2	+0.2	—
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc.	252.0	266.4	—	—
Equity Acc.	750.4	789.9	+0.2	—
Property Acc.	476.9	502.0	—	—
Far East Acc.	188.5	198.5	-0.3	—
European Acc.	19.8	20.9	-0.1	—
Managed Acc.	600.2	631.8	+0.1	—
Managed Cap.	342.6	360.7	+0.1	—
O'seas Earnings Acc.	492.4	518.4	-0.2	—

OTHER UK UNIT TRUSTS

INSURANCES

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	Bid Price	Offer Price	+ or -	Yield Gross
Norwich Union Life Insurance Soc.				
PO Box 149, Norwich NR1 3NG 0603 622200				
Unitised Pensions				
With Profits Fd	110.30	116.11	+0.05	–
Managed Fd	119.60	125.90	–0.20	–
UK Equity Fd	120.00	126.31	–0.06	–
International Fd	126.60	133.26	–0.57	–
European Fd	117.98	124.19	–0.42	–
North American Fd	116.63	122.77	–0.59	–
Pacific Fd	125.83	132.45	+0.27	–
Property Fd	125.74	132.36	+0.02	–
Fixed Int Fd	101.56	106.91	+0.11	–
Intl Bond Fd	104.54	110.04	–1.04	–
Bldg Soc Dep Fd	104.92	110.44	+0.04	–
Pensionmaster & Unit-Linked Plus*				
Fixed Interest Fund	286.3	301.5	+2.7	–
Index-Linked Sec Fund	155.2	163.3	+1.7	–
Ordinary Share Fund	469.8	494.5	+12.9	–
International Fund	136.3	143.5	+4.4	–
Property Fund	213.4	224.6	+0.2	–
Deposit Fund	188.0	197.9	+0.4	–
Mixed Fund	328.4	345.7	+7.5	–
Norwich Units October 15		772.28	–	–

*Prices as at January 10

	Bid Price	Offer Price	+ or -	Yield Gross
Pearl Assurance (Unit Funds) Ltd				
252 High Holborn, London WC1V 7EB 01-405 8441				
Prop. Dist. (Gross)	179.3	189.0		–
Prop. Acc. (Gross)	302.3	318.3		–
Equity (Gross)	653.8	688.2	+2.2	–
Managed (Gross)	481.0	506.4	+1.1	–
Prop. Acc. (Net)	139.9	147.3	+0.1	–
Equity (Net)	155.2	163.3	+0.3	–
Managed (Net)	148.4	156.3	+0.3	–
International (net)	133.8	140.8	–0.2	–
Gilt & Fxd Interest	101.7	107.1		–
Money Fund	103.1	108.5		–
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	459.1	483.3	+1.1	–
Ret Man (Series 2)	155.7	163.9	+0.3	–
Ret Man (Series 3)	102.7	102.7	+0.2	–
Ret Man (Series 3)	129.2	136.0	+0.1	–

	Bid Price	Offer Price	+ or -	Yield Gross
Provident Life Assoc Ltd				
Provident Way, Basingstoke RG21 2SZ 0256 470707				
Unit Fund	910.3	956.0	+2.2	–
Equity Fund	200.5	210.5	+1.0	–
International Fd	139.4	146.4	–0.4	–
Fixed Interest Fd	151.6	159.2	–	–
Property Fund	209.6	220.1	–	–
Index-Linked Fund	132.5	139.1	–0.1	–
Deposit Fund	132.5	139.1	+0.1	–
Pens. Mixed (Ord) Fd	211.9	222.5	+0.6	–
Gold Pensions				
Discretionary Fund		102.6		–
Equity Fund		98.3	+0.3	–
Fixed Interest Fund		104.7	+0.1	–
International Fund		104.4	–0.3	–
Property Fund		126.8		–
Index-Linked Fund		108.5	–0.1	–
Deposit Fund		105.1	+0.1	–
S & F Consolidation		102.7		–
S & F Balanced		101.5	+0.2	–
S & F Maximum Growth		93.2	–0.1	–

	Bid Price	Offer Price	+ or -	Yield Gross
Provident Mutual Life Assc. Assn.				
William Rd, Hitchin, Herts SG4 0LP 0438 739000				
Managed Ord	297.6	313.3	+1.1	–
Managed Init	242.7	255.5	+0.9	–
Equity Ord	408.1	429.6	+3.1	–
Equity Init	332.8	350.3	+2.4	–
Index Linked Gilt Ord	131.2	138.1	–0.2	–
Index Linked Gilt Init	111.7	117.6	+0.2	–
Overseas Equity Ord	272.3	286.6	–0.3	–
Overseas Equity Init	222.0	233.7	+0.3	–
Property Ord	189.7	199.7		–
Property Init	154.7	162.8		–
Fixed Interest Ord	173.2	182.3	–0.3	–
Fixed Interest Init	141.3	148.7	–0.2	–
Deposit Ord	139.1	146.4		–
Deposit Init	113.5	119.3		–
Pension Funds				
Managed Ord	361.0	380.0	+1.5	–
Managed Init	294.4	309.9	+1.2	–

OFFSHORE AND OVERSEAS

GUERNSEY AUTHORISED

JERSEY AUTHORISED

BERMUDA AUTHORISED

OFFSHORE INSURANCES

IoM AUTHORISED

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Stock	Red. Yield
Treas 11½pc 1989	12.80
Treas 9½pc Cnv 1989	12.61
Treas 3pc 1989	10.44
Treas 10½pc 1989	12.64
Exch 10pc 1989	12.82
Exch 11pc 1989	12.27
Treas 5pc 1986-89	10.60
Exch 10¼pcCv '89	11.01
Treas 13pc 1990‡‡	11.65
Exch 11pc 1990‡‡	11.66
Exch. 12½pc 1990	11.64
Treas. 3pc 1990	10.01
Treas 8¼pc 1987-90‡‡	11.43
Treas. 8pc Cv 1990 ‡‡	10.62
[illegible] 10pcCv 1990	11.37
[illegible] 2½pc 1990	9.55
[illegible] 11¾pc 1991	11.28
Funding 5¾pc '87-91‡‡	10765
[illegible] 3pc 1991	9.61
[illegible] 10pc Cv '91 ‡‡	10.78
[illegible] 11pc 1991	11.06
[illegible] 8pc 1991	11.01
[illegible] 12¼pc 1992‡‡	10.82
[illegible] 10pc 1992	10.86
Treas. 8pc 1992 ‡‡	10.83
[illegible] 10½pc Cv 1992‡‡	10.79
Treas. 3pc 1992	8.98
[illegible] 12¼pc '92	10.86
Exch 13½pc 1992	10.77
Treas 0¼pc 1993	10.58
Treas 10pc 1993‡‡	10.50
Treas 12½pc 1993‡‡	10.64
Funding 6pc 1993‡‡	9.83
Treas 13¼pc 1993‡‡	10.64

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for April 1988: 105.8 and for November 1988: 110.0

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

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AMERICANS—Contd

1988/89 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
154p	44p	♦Unilab	145p	–2	–	–	–
24½	17⅝	Utd. Technologies	23⅛	–⅛	$1.60	–	3.8
163p	27p	♦Utilitech Inc	146p	–4	–	–	–
34⅝	26¼	US West	32½	–⅜	$3.52	–	6.1
24⅞	16⅞	Waste Management $1	23⅛	–⅛	48c	–	1.1
16⅞	12⅝	Whirlpool $1	14⅛		$1.10	–	4.3
20⅝	15⅛	Whitman Corp	19⅞		96c	–	2.8
33	18⅛	♦Woolworth $3½	38⅝	+⅛	$1.64	–	3.0

CANADIANS

1988/89 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
[illegible]	134p	♦ABM Gold Corp	134p	–12	–	–	–
[illegible]	5p	♦Abbot Energy Corp.	5p		–	–	–
14⅝	882p	♦Amer. Barrick Res.	10⅞		–	–	–
[illegible]	2½p	♦Amer. Lightwave	2½p	–½	–	–	–
[illegible]	7½p	♦Armeno	13p	+¼	–	–	–
[illegible]	240	♦Augmitto Expln	33¼p		–	–	–
14⅞	10⅝	Bk. Montreal	11¼	+⅛	$2.00	–	6.9
[illegible]	514p	Bk. Nova Scot.	660p	+4	84c	–	5.8
[illegible]	15¼	BCE	17⅛		$2.44	–	6.4
[illegible]	527p	♦Bow Valley	437p	–7	40c	–	2.9
[illegible]	10⅛	♦Brascan	13⅛	–⅛	88c	–	3.0

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

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LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

Stock		Price	+ or −	Div Net	Cvr	Yld Gr's	P/E
Royal Sovereign 10p	γ	185	......	¶4.6	1.9	3.3	17.3
Scott Pickford 10p	γ	20½	......	3.1	0.7	20.2	10.6
Seacon Hldgs.	γ	96	+1	21.0	−	1.4	−
Sonic Tape 2½p	γ	8	......	−	−	−	10.5
Stats Hldgs. 5p	γ	17	......	−	−	−	20.1
Starnyard Studios 1p	γ	2½	......	−	−	−	♦
Takare	γ	313	+10	b1.0	8.1	0.4	32.1
Tomorrows Leisure 20p	γ	28	......	−	−	−	13.9
Tallow Oil 10p	γ	18	......	−	−	−	−
UPL Group 10p	γ	150	......	L2.41	4.3	2.9	15.0
Unit Group	γ	147	......	F7.5	2.9	6.8	8.4
Whitegate Leisure 20p	γ	14½	......	−	−	−	−
Do. Wrrnts.	γ	10½	......	−	−	−	−
Wilton Group 1p	γ	3	−¼	−	−	−	−

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ☐ Not officially listed.
- ✱ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. U Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock		Price	+ or −
Albany Inv 20p	γ	67	......
Craig & Rose £1	γ	710	......
Finlay Pkg. 5p	γ	85	......
Holt (Jos) 25p	γ	1280	+5

IRISH

Stock		Price	+ or −
Cap. 8½% Ln. 1991		£99¾	......
9pc Cap Ln. 1996		£10¼	......
Fin. 13% 97/02		£124½	......
Arnotts		380	......
Carrol (P.J.)	γ	147	+5
Grafton Grp.	γ	145	......
Hall (R. & H.)		152	......
Heiton Hldgs.	γ	64	−1
Irish Ropes		165	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp.	36
BSR	7½
BTR	28
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	98
Brit Aerospace	42
Brit. Telecom	21
Burton Ord.	15
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	40
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	15
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	15
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42
Property	
Brit Land	30
Land Securities	52
MEPC	50
Peachey	54
Oils	
Brit Petroleum	21
Do. (P.Paid)	15
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	5½
Shell	85
Ultramar	21
Mines	
Cons Gold	100
Lonrho	38
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound slips from firmer start

STERLING MOVED more into the limelight in currency markets yesterday after recent central bank intervention injected e note of caution into dollar trading.

The pound's move on Wednesday above key resistance at DM3.2450 had taken it into uncharted territory. While investors may be reluctant to extend positions already long in sterling, the high cost of going short is acting as an equal deterrent.

Early demand pushed sterling through DM3.2600 as attention switched away from the dollar and into the crosses, but the pound did not hold above this level, despite comments by Mrs Margaret Thatcher, UK Prime Minister, that the fight against inflation takes priority over other factors. This was seen as providing support to remarks made on Wednesday by Mr Nigel Lawson, the Chancellor, that he is not concerned by sterling's recent rise against the D-Mark.

The pound eased back during the afternoon to finish unchanged on the day. Its exchange rate index touched a peak of 98.3 during the morning but came back to close unchanged from the start and Wednesday's close at 98.0.

Sterling was unchanged against the D-Mark at DM3.2575, having touched a high of DM3.2650 in the morning. It was higher in yen terms at Y225.25 from Y224.50 and also improved against the dollar, finishing at $1.7845 from $1.7810. Elsewhere, it closed at SFr2.7775 from SFr2.7700 and FFr11.1125 compared with FFr11.0950.

The dollar took e pause for breath after its recent fluctuations. While finishing below Wednesday's close, the dollar's downward potential appears to be limited at the moment. Many investors hold the view that the US Federal Reserve has recently tightened credit policies - highlighted by firmer US interest rates - and this is providing the US unit with underlying support.

On the other hand, traders are reluctant to push the dollar towards DM1.83 because at this level profit taking tends to increase, as does the chance of central bank intervention. In addition, some smaller institutions have limited their dollar spot market activity, reducing dollar market liquidity

Wednesday's intervention by central banks caught a number of people long on dollars, and there is little incentive to tempt a repeat performance, especially since US producer prices and retail sales for December are due for release today. Enthusiasm is likely to be further drained by the closure of most US markets on Monday for a public holiday, and the release next Wednesday of US trade figures for November.

Tbe dollar closed at DM1.8255 against the D-Mark compared with DM1.8285 and Y126.15 from Y126.10. Elsewhere, it slipped to FFr6.2275 from FFr6.2300 but was unchanged against the Swiss franc at SFr1.5560. On Bank of England figures, the dollar's exchange rate index was unchanged at 66.4.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Jan.12	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.6384	+2.78	+0.79	±1.5344
Danish Krone	7.85212	8.07329	+2.82	+0.83	±1.5404
German D-Mark	2.05853	2.08353	+1.21	-0.78	±1.0981
French Franc	6.90403	7.10399	+2.90	+0.91	±1.3674
Dutch Guilder	2.31943	2.35226	+1.42	-0.57	±1.5012
Irish Punt	0.768411	0.779168	+1.40	-0.59	±1.6684
Italian Lira	1483.58	1535.10	+3.47	+2.24	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

POUND SPOT - FORWARD AGAINST THE POUND

STERLING INDEX

CURRENCY RATES

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

CURRENCY MOVEMENTS

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Sterling contracts weaken

STERLING INTEREST rate contracts weakened on Liffe. This partly reflected profit taking, followed by stop loss selling, of short sterling, but was also the result of nervousness about the outcome of today's £500m reverse gilt auction by the Bank of England.

It had been assumed that market makers hold only about £300m of the two short gilts, and that other sources of the stock, such as building societies, will not be keen sellers, because it could represent a book loss on the price they paid for the issues.

On the other hand, it was suggested yesterday that market makers may turn out to be long of the stocks, and this was a factor pushing down prices.

March long gilt futures fell below 95-15; opening up a gap in chart based trading, and virtually ensuring a fall to the other side of the gap at 95-10. The contract closed at 95-09, compared with 95-20 on Wednesday, but dealers said it should now be more soundly based, after filling in the chart gap.

Overseee selling pushed March short sterling through support at 87.18, triggering "stops" and taking the contract down to 87.08, from 87.23 on Wednesday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
90	519	627	1	9
92	322	435	4	17
94	136	256	17	38
96	29	140	111	122
98	7	52	253	234
100	2	23	448	405
102	0	8	646	554

Estimated volume total, Calls 1437 Puts 797
Previous day's open int. Calls 18547 Puts 15536

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
82	660	703	4	27
84	500	523	8	47
86	313	355	21	115
88	141	239	49	163
90	42	141	150	301
92	14	62	322	422
94	5	36	513	560

Estimated volume total, Calls 145 Puts 25
Previous day's open int. Calls 2483 Puts 3032

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Puts-settlements Mar
17500	1413	83
18000	1013	183
18500	679	349
19000	423	593
19500	243	913
20000	129	1299
20500	63	1733

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 0 Puts 0

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Jan	Calls-settlements Feb	Puts-settlements Jan	Puts-settlements Feb
160	-----	-----	-----	-----
165	1325	1325	0	2
170	825	825	0	23
175	325	393	0	119
180	0	138	175	364
185	0	32	675	798
190	0	5	1175	1231

Estimated volume total, Calls 0 Puts 40
Previous day's open int. Calls 43 Puts 3740

LIFFE EURODOLLAR OPTIONS
£1m points of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
8950	92	99	3	14
8975	69	79	5	19
9000	48	62	9	27
9025	30	46	16	36
9050	18	34	29	49
9075	9	24	45	64
9100	5	16	66	81

Estimated volume total, Calls 515 Puts 102
Previous day's open int. Calls 5251 Puts 6806

LIFFE SHORT STERLING

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
8650	72	134	14	20
8675	54	115	21	26
8700	38	97	30	33
8725	26	80	43	41
8750	17	66	59	52
8775	11	52	78	63
8800	6	41	98	77

Estimated volume total, Calls 1420 Puts 2140
Previous day's open int. Calls 17753 Puts 19631

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

LONDON (LIFFE)

CHICAGO

6% NOTIONAL GERMAN GOVT. BOND
DM 250,000 100ths of 100%

	Close	High	Low	Prev.
Mar	94.96	95.20	94.93	95.13
Jun	94.32			94.50
Sep				

Estimated Volume 6015 (9043)
Previous day's open int. 12537 (12075)

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS : 56,752
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

London rates firm

INTEREST RATES firmed slightly on the London money market yesterday, ahead of the yesterday's economic debate in Parliament. Mrs Margaret Thatcher, the Prime Minister, and Mr Nigel Lawson, the Chancellor, highlighted the fight against inflation, as the Government's main priority.

This means there remains little likelihood of an early reduction in UK bank base rates, in spite of the strength ofsterling against the D-Mark.

Three-month sterling interbank rose to 13¼-13⅛ p.c. from 13⅛-13 1/16 p.c.

The Bank of England forecast a money market credit shortage of around £150m pounds, but provided total help of only £20m.

UK clearing bank base lending rate 13 per cent from November 25

The anthorities did not operate in the market in the morning, and in the afternoon bought £5m bank bills in band 2 at 12 15/16 p.c. Late assistance of aronnd £15m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £187m, with the unwinding of repurchase agreements absorbing £23m, a rise in the note circulation £15m, and bank balances below target £35m. These factors were partly offset by Exchequer transactions adding £130m to liquidity.

In New York the Federal Reserve added $1bn to the banking system, via customer repurchase agreements, when Federal funds were trading at 9⅛ p.c.

This came at the beginning of a two-week reserve maintenance period, during which time the amount of help required is expected to be around $500m a day.

In Frankfurt call money fell to 5.05 p.c. from 5.15 p.c., reacting to a lack of credit tightening at this week's Bundesbank securities repurchase agreement tender.

The market feared the central bank might tighten its monetary stance to defend the D-Mark against the dollar, but the Bundesbank may have chosen intervention on the foreign exchanges as an option less likely to bring it into confrontation with the Federal Reserve and West Germany's partners in the EMS.

The German anthorities remain concerned about rising money supply growth and inflation, and will have another opportunity to tighten next week, when another repurchase pact is due, to replace DM15.1bn leaving the market, as an earlier agreement expires.

In Amsterdam there was an indication of concern about the values of currencies in the EMS yesterday, when the Dutch Central Bank raised the rate on seven-day special advances to .7 p.c. from 5.6 p.c. The central bank said the move was aimed at bolstering the guilder's value against the D-Mark.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.12) 3 months US dollars		6 months US Dollars	
bid 9 5/8	offer 9 3/4	bid 9 7/8	offer 9⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

(Lunchtime)

Prime rate	10½	One month	8.43	Three year	9.30
Broker loan rate	10⅛-¼	Two month	8.28	Four year	9.30
Fed.funds	9 3/16-¼	Three month	8.57	Five year	9.28
Fed.funds at intervention	9⅛	Six month	8.91	Seven year	9.27
		One year	9.14	10-year	9.21
		Two year	9.28	30-year	9.04

Jan.12	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	5.00-5.10	5.35-5.50	5.35-5.50	5.45-5.60	5.60-5.75	5.50
Paris	0¼-8⅞	8⅞-8⅞	8⅞-8½	8⅞-8¾	8½-8⅞	7.25
Zurich	4¾-4⅞	5⅛-5⅞	-	5⅛-5½	-	-
Amsterdam	5.60-5.65	5.85-5.95	-	5.93-6.03	-	-
Tokyo	3.78125	4.40625	-	4.59375	-	-
Milan	11¼-11¼	11¾-12¼	-	11¾-12¼	-	-
Brussels	7.30	7⅞-7⅞	-	7⅞-7⅞	-	-
Dublin	7⅞-7⅞	7⅞-8	7⅞-8¼	8-8¼	8¼-8½	-

LONDON MONEY RATES

Jan.12	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	13½	13	13⅛	13¼	13⅛	12⅞
Interbank Bid	12	12¾	13	13⅛	12 15/16	12¾
Sterling CDs	-	-	13⅛	13⅛	12 15/16	12⅝
Local Authority Deps.	12¾	12⅞	13	13⅛	12¾	12⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	-	-	12¾	12¾	-	-
Company Deposits	-	-	13 3/16	13 3/16	12 15/16	12¾
Finance House Deposits	-	-	13⅛	13⅛	13	12¾
Treasury Bills (Buy)	-	-	12 11/16	12 11/16	-	-
Bank Bills (Buy)	-	-	12 15/16	12⅞	12¾	-
Fine Trade Bills (Buy)	-	-	13⅛	13⅛	12⅞	-
Dollar CDs	-	-	9.20-9.15	9.30-9.25	9.45-9.40	9.75-9.70
SDR Linked Dep Offer	-	-	7 11/16	8	8	8⅛
SDR Linked Dep Bid	-	-	7⅞	7⅞	7⅞	7 13/16
ECU Linked Dep Offer	-	-	7 13/16	8½	8⅛	8⅝
ECU Linked Dep Bid	-	-	7 11/16	8	8⅛	8⅜

Treasury Bills (sell); one-month 12⅝ per cent; three months 12⅞ per cent; Bank Bills (sell): one-month 12 13/16 per cent; three months 12 13/16 per cent; Treasury Bills; Average tender rate of discount 12.5512 p.c. ECGO Fixed Rate Sterling Export Finance. Make up day December 30, 1988. Agreed rates for period January 25,1989 to February 25, 1989, Scheme I: 13.97 p.c., Schemes II & III: 14.37 p.c. Reference rate for period December 1 to December 30, 1988, Scheme IV&V: 13.173 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 13 from January 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July.5,1988. Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

	%		%		%
ABN Bank	13	Clydesdale Bank	13	Nat Westminster	13
Adam & Company	13	Comm. Bk N. East	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Co-operative Bank	*13	Norwich Gen. Trust	13
Allied Irish Bank	13	Coutts & Co	13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Cyprus Popular Bk	13	Provincial Bank PLC	14
ANZ Banking Group	13	Dunbar Bank PLC	13	R. Raphael & Sons	13
Associates Cap Corp	12	Duncan Lawrie	13	Roxburghe G'rantee	13½
Authority Bank	13	Equatorial Bank plc	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Exeter Trust Ltd	13½	Royal Trust Bank	13
Bank of Baroda	13	Financial & Gen. Bank	13	● Smith & Williamson Secs.	13
Banco Bilbao Vizcaya	13	First National Bank Plc.	14	Standard Chartered	13
Bank Hapoalim	13	● Robert Fleming & Co.	13	TSB	13
Bank Credit & Comm	13	Robert Fraser & Ptnrs.	13½	United Bk of Kuwait	13
Bank of Cyprus	13	Girobank	13	United Mizrahi Bank	13
Bank of Ireland	13	● Guinness Mahon	13	Unity Trust Bank Plc	13
Bank of India	13	HFC Bank plc	13	Western Trust	13
Bank of Scotland	13	● Hambros Bank	13	Westpac Bank Corp.	13
Banque Belge Ltd	13	Heritable & Gen Inv Bnk	13	Whiteaway Laidlaw	13½
Barclays Bank	13	● Hill Samuel	§13	Yorkshire Bank	13
Benchmark Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shangh	13		
Brit Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bnk	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd.	§13.95		
Citibank NA	13	Mount Credit Corp.	13		
City Merchants Bank	13	Nat Bk. of Kuwait	13		

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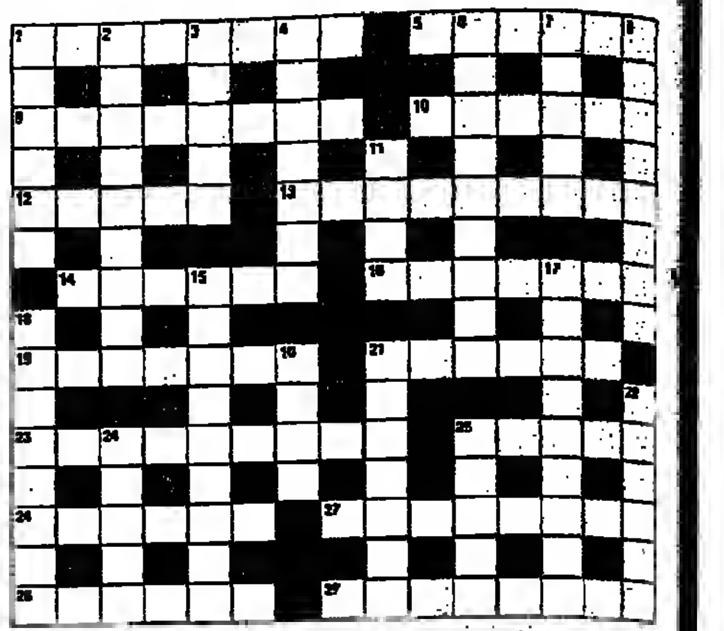
CROSSWORD

No.6,833 Set by GRIFFIN



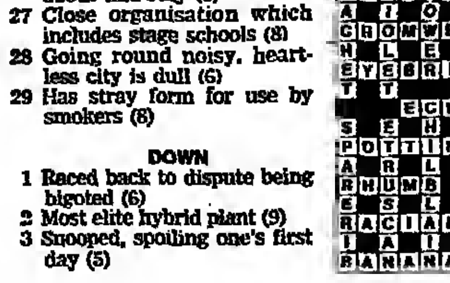
ACROSS

1 Mention a doctor by name (8)
5 Stop and speak to Bill Price (6)
9 Fought off journalist after sister collapsed (8)
10 Coat, 50% off, in spotted material (6)
12 Dirty head removed and greased (5)
13 Scold great man for upsetting model (9)
14 Firmly established clubs set back half a mile (6)
16 For every chit written out in jug (7)
19 Short composition from Peru led dancing (7)
21 Volley of abuse in traffic, one finds (6)
23 I redesigned bad porch without reconstituted wood (9)
25 Rent is left as mum is outside (5)
26 Bird flying round form about mid-July (6)
27 Close organisation which includes stage schools (8)
28 Going round noisy, heartless city is dull (6)
29 Has stray form for use by smokers (8)

DOWN

1 Raced back to dispute being bigoted (6)
2 Most elite hybrid plant (9)
3 Snooped, spoiling one's first day (5)
4 Plays at being in the regiment (7)
6 Letter card (9)
7 Ring through with a musical treat (5)
8 Can cruet change colour? (8)
11 Lifting mine right inside, stumble (4)
15 Mass murderer unhappy with bread pudding (9)
17 Ena's wandering round Gateshead after a monster plant (9)
18 Mixed spice, if cold, is peculiar (8)
20 Times when the Queen comes first (4)
21 Ring us after now diet gets monotonous (7)
22 Rewriting his sot essay (6)
24 Rings student soldier up with somewhere to live (5)
25 Reveal secret share (6)

Solution to Puzzle No.6,832



LEGAL NOTICES

No. 006941 of 1988
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF SPICERS LIMITED

and

IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 24th November, 1988 presented to Her Majesty's High Court of Justice for the confirmation of the Reduction of the Share Premium Account of the above-named Company by £121,000,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr. Justice Millett at the Royal Courts of Justice, Strand, London EC2A 2LL on Monday the 23rd day of January 1989.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an order for the confirmation of the said Reduction of Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under-mentioned solicitors on payment of the regulated charge for the same.

Dated this 11th day of January 1989

Clifford Chance
Royex House
Aldermanbury Square
London EC2V 7LD

Tel: 01-600-0808
Ref: IZB/DBP
Solicitors for the above-named Company

No. 006943 of 1988
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF REED PAPER & BOARD (UK) LIMITED

and

IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 24th November, 1988 presented to Her Majesty's High Court of Justice for the confirmation of the Reduction of the Share Premium Account of the above-named Company by £80,000,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr. Justice Millett at the Royal Courts of Justice, Strand, London EC2A 2LL on Monday the 23rd day of January 1989.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an order for the confirmation of the said Reduction of Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under-mentioned solicitors on payment of the regulated charge for the same.

Dated this 11th day of January 1989.

Clifford Chance
Royex House
Aldermanbury Square
London EC2V 7LD
Tel: 01-600-0808
Ref: IZB/DBP
Solicitors for the above-named Company

No. [illegible] of 1988
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF REED PACKAGING LIMITED

and

IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 24th November, 1988 presented to Her Majesty's High Court of Justice for the confirmation of the Reduction of the Share Premium Account of the above-named Company by £49,000,000.

AND NOTICE IS FURTHER GIVEN that the Petition is directed to be heard before the Honourable Mr. Justice Millett at the Royal Courts of Justice, Strand, London EC2A 2LL on Monday the 23rd day of January 1989.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an order for the confirmation of the said Reduction of Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under-mentioned solicitors on payment of the regulated charge for the same.

Dated this 11th day of January 1989

Clifford Chance
Royex House
Aldermanbury Square
London EC2V 7LD

Tel: 01-600-0808
Ref: IZB/DBP
Solicitors for the above-named Company

No 006787 of 1988
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF YORK TRUST GROUP plc

- and -

IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 19th December 1988 confirming the reduction of the Share Premium Account of the above-named Company by £20,000,000 was registered by the Registrar of Companies on 23rd December 1988.

Dated this 13th day of January 1989.

Ashurst Morris Crisp
Broadgate House
7 Eldon Street
LONDON
EC2M 7HD

Solicitors for the above-named Company

WORLD STOCK MARKETS

AUSTRIA — January 12 — Sch. — + or –

[illegible]

BELGIUM/LUXEMBOURG — January 12 — Frs. — + or –

[illegible]

DENMARK — January 11 — Kr — + or –

[illegible]

FINLAND — January 12 — Mkk — + or –

[illegible]

FRANCE — January 12 — Frs. — + or –

[illegible]

FRANCE (continued) — January 12 — Frs. — + or –

[illegible]

GERMANY — January 12 — Dm. — + or –

[illegible]

GERMANY (continued) — January 12 — Dm. — + or –

[illegible]

ITALY — January 12 — Lire — + or –

[illegible]

ITALY (continued) — January 12 — Lire — + or –

[illegible]

NETHERLANDS — January 12 — Fls. — + or –

[illegible]

NORWAY — January 12 — Kroner — + or –

[illegible]

SPAIN — January 12 — Pts.% — + or –

[illegible]

SWEDEN — January 12 — Kronor — + or –

[illegible]

SWITZERLAND — January 12 — Frs. — + or –

[illegible]

SOUTH AFRICA — January 12 — Rand — + or –

[illegible]

AUSTRALIA — January 12 — Aust.$ — + or –

[illegible]

AUSTRALIA (continued) — January 12 — Aust.$ — + or –

[illegible]

HONG KONG — January 12 — H.K.$ — + or –

[illegible]

SINGAPORE — January 12 — S$ — + or –

[illegible]

JAPAN — January 12 — Yen — + or –

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges [illegible]

CANADA

TORONTO
2pm prices January 12

Sales — Stock — High — Low — Close — Chng

[illegible]

f—No voting rights or restricted voting rights.

INDICES

NEW YORK — DOW JONES

	Jan 11	Jan 10	Jan 9	Jan 6	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
♦Industrials	2206.43	2193.21	2199.46	2194.29	2206.43 (11/1/89)	1879.14 (20/1/88)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.40	88.44	88.35	88.40	91.25 (3/3/88)	86.12 (4/1/88)	–	–
Transport	992.70	986.22	986.38	984.44	992.78 (11/1/89)	737.57 (21/1/88)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	188.95	187.41	187.23	186.40	190.02 (29/1/88)	167.26 (20/4/88)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2211.96 (2213.75) Low 2185.71 (2182.32)

STANDARD AND POOR'S	Jan 11	Jan 10	Jan 9	Jan 6	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
Composite ‡	282.01	280.38	280.98	280.67	283.66 (21/10/88)	242.63 (20/1/88)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	326.29	324.33	326.07	326.74	327.53 (24/10/88)	277.86 (20/1/88)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	25.21	25.02	25.08	24.93	26.42 (20/10/88)	21.51 (8/1/88)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	158.65	157.85	158.15	157.96	159.01 (20/10/88)	136.72 (20/1/88)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	313.86	312.95	313.54	311.40	313.86 (11/1/89)	262.76 (12/1/88)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	385.31	384.59	385.28	384.76	394.77 (18/7/88)	331.97 (12/1/88)	455.28 (26/8/87)	54.87 (31/10/72)

	Jan 6	Dec 30	Dec 23	year ago (approx.)
Dow Industrial Div. Yield	3.66	3.70	3.70	3.62
	Jan 5	Dec 28	Dec 21	year ago (approx.)
S & P Industrial div. yield	3.17	3.20	3.19	3.31
S & P Indl. P/E ratio	12.97	12.86	12.86	16.39

TRADING ACTIVITY — † Volume Millions

	Jan 11	Jan 10	Jan 9
New York	148.950	140.420	163.180
Amex	9.200	10.010	9.021
OTC	115.766	113.519	109.928

NEW YORK	Jan 11	Jan 10	Jan 9
Issues Traded	1,939	1,951	1,966
Rises	802	622	868
Falls	603	794	617
Unchanged	534	535	481
New Highs	60	49	61
New Lows	11	11	13

CANADA

TORONTO	Jan 11	Jan 10	Jan 9	Jan 6	1988/89 High	1988/89 Low
Metals & Minerals	3381.0	3342.7	3346.7	3350.5	3381.0 (11/1/89)	2238.7 (8/2/88)
Composite	3468.5	3444.4	3445.1	3419.2	3468.5 (11/1/89)	2977.9 (8/2/88)
MONTREAL Portfolio	1748.18	1735.87	1740.60	1718.83	1748.18 (11/1/89)	1305.06 (27/1/88)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Liberty	3,302,300	7½	+ ⅛
Raychem	2,860,500	30⅞	– 3⅞
Baxter Intl	2,624,300	18⅞	+ ¼
Pan Am	2,483,300	2⅞	+ ¼
RJR Nabisco	2,479,300	94¼	– ⅛
Ford Motor	1,835,400	52⅝	+ 1½
Phillips Pet	1,720,800	21¾	+ ⅝
SmithKline	1,496,300	50½	– 1½
Savin Bus	1,433,600	13⅞	—
Exxon	1,388,200	44½	+ ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

Indices

	Jan. 12	Jan. 11	Jan. 10	Jan. 9	1988/89 High	1988/89 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1507.8	1499.4	1501.8	1489.3	1657.8 (9/8/88)	1170.7 (10/2/88)
All Mining (1/1/80)	681.4	676.2	678.4	677.1	847.8 (9/8/88)	532.4 (10/2/88)
AUSTRIA						
Credit Aktien (30/12/84)	223.50	224.30	223.80	224.10	225.48 (4/11/88)	163.98 (11/2/88)
BELGIUM						
Brussels SE (1/1/84)	5690.80	5654.30	5616.10	5593.70	5690.80(12/1/89)	3608.35(4/1/88)
DENMARK						
Copenhagen SE (3/1/83)	280.13	280.49	283.10	282.98	285.32 (5/1/89)	180.68 (4/1/88)
FINLAND						
Unitas General (1975)	729.0	730.2	729.5	727.5	772.1 (8/8/88)	530.6(15/1/88)
FRANCE						
CAC General (31/12/82)	434.4	434.1	436.4	438.0	438.0(9/1/89)	251.3 (29/1/88)
Ind. Tendance(30/12/88)	104.5	102.8	(u)	104.3	104.5(12/1/89)	100.0 (1/1/89)
GERMANY						
FAZ Aktien (31/12/58)	566.69	562.78	560.95	566.58	567.51(5/1/89)	396.40 (29/1/88)
Commerzbank (1/12/53)	1698.1	1687.7	1683.3	1702.0	1705.6(5/1/89)	1207.9 (29/1/88)
DAX (30/12/87)	1358.74	1353.42	1345.91	1366.55	1371.10(5/1/89)	931.18 (28/1/88)
HONG KONG						
Hang Seng Bank (31/7/64)	2879.33	2872.52	2832.38	2792.27	2879.33 (12/1/89)	2223.56 (8/2/88)
ITALY						
Banca Com. Ital. (1972)	597.24	600.38	600.37	599.02	600.38 (11/1/89)	423.91 (9/2/88)
JAPAN**						
Nikkei (16/5/49)	31143.45	31143.45	31006.51	30678.3	31143.45(11/1/89)	21217.04 (4/1/88)
Tokyo SE (Topix) (4/1/68)	2445.82	2442.10	2427.75	2401.81	2445.82(12/1/89)	1690.44 (4/1/88)
NETHERLANDS						
ANP-CBS General (1970)	294.5	290.7	293.0	294.5	294.5 (9/1/89)	205.7 (4/1/88)
ANP-CBS Industrial (1970)	257.4	254.6	255.8	257.7	258.3 (5/1/89)	157.9 (11/1/88)
NORWAY						
Oslo SE (4/1/83)	507.42	500.88	501.46	492.48	507.42 (12/1/89)	327.78 (28/1/88)
SINGAPORE						
Straits Times Ind. (30/12/66)	1095.31	1085.59	1083.50	1072.99	1177.87 (8/8/88)	833.60(4/1/88)
SOUTH AFRICA						
JSE Gold (28/9/78)	1331.0♦	1323.0	1325.0	1303.0	1451.0 (7/7/88)	1154.0 (4/5/88)
JSE Industrial (28/9/78)	2079.0♦	2067.0	2049.0	2032.0	2079.0 (12/1/89)	1387.0 (12/2/88)
SPAIN						
Madrid SE (30/12/85)	277.89	276.19	274.35	274.32	301.63 (15/6/88)	225.50 (4/1/88)
SWEDEN						
Jacobson & P. (31/12/56)	3493.5	3496.7	3488.5	3453.1	3496.7 (11/1/89)	2148.5 (4/1/88)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	628.4	624.1	620.2	622.3	628.4 (12/1/89)	466.6 (13/1/88)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	504.4	501.9	498.3	504.4 (11/1/89)	401.0 (21/1/88)

**Saturday Jan. 7: Japan Nikkei (c) TSE (c) ♦ Subject to official recalculation.

Base values of All Indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 12 January 1989

	Stocks Traded	Closing Prices	Change on day
NKK	105.8m	[illegible]	[illegible]
Mitsubishi Heavy Ind	65.2m	1,140	+30
Nippon Steel	50.8m	836	+22
Marubeni	45.6m	800	+10
Fujitsu	[illegible]	[illegible]	[illegible]
Japan Steel Works	39.9m	790	+55
Showa Denko	27.7m	978	+27
Kawasaki Heavy	25.0m	970	+22
Tonen	20.1m	713	+32
Mitsubishi Electric	17.7m	1,090	+10
Mitsubishi Rayon	17.1m	725	uch

3pm prices January 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
27⅞	16⅛	AAR	.44	1.8	17	654	25⅛	24⅝	24⅞	+ ⅛
19⅛	9⅞	ACM n	1.01	11.		175	9	8⅞	9	
12⅛	10¼	ACMIn	1.26a	12.		405	10⅛	10⅞	10⅛	
10⅛	8½	ACM M	n.17e	1.8		165	9	8¾	9¼	
12⅛	10⅛	ACMSc	s1.26	12.		524	10¾	10½	10½	– ⅛
10⅛	8½	ACMSp	n1.01e	11.		395	9⅛	9	9	– ⅛
5⅛	2⅝	AMCA	.12e	3.7		3	3¼	3¼	3¼	+ ⅛
6⅛	3⅞	AM Intl				359	5⅛	4⅞	5	
23¼	18⅛	AM Int pf	2	9.1		10	22	21⅞	22	
55	32⅞	AMR			9	4086	54⅛	53⅛	53⅛	+ ½
27	23	ANR pf	2.67	10.		1	25⅞	25⅛	25⅛	+ ⅛
9⅛	5⅛	ARX			10	54	6¼	6⅛	6⅛	+ ⅛
50¼	25¼	ASA	3a	7.7		277	39⅞	38⅝	38⅛	
20¼	12¼	AVX	.24	1.3	10	91	18½	18¼	18¼	
52⅞	42⅞	AbtLab	1.20	2.5	15	3584	47⅛	46⅞	47⅛	
28⅝	15⅞	Abitibi g	1			24	16½	16¼	16⅛	– ⅛
18⅞	7½	AcmeC	.40	4.1		45	9¾	9⅛	9¾	+ ⅛
6⅞	5⅞	AcmeE	.32b	5.0	28	6	6⅛	6¼	6⅛	
29½	15¼	Acusn			29	451	23⅞	23⅛	23⅞	– ⅛
17	14½	AdaEx	1.82e	12.		177	14¾	14⅞	14⅞	
16⅞	7½	AMD			18	2596	9	8⅝	8⅞	+ ⅛
40½	30¾	AMD pf	3	9.3		17	32¼	31⅞	32¼	+ ½
9½	5½	Adobe				219	6⅞	6⅝	6⅛	+ ⅛
18½	16¼	Adob pf	1.84	11.		1	17¼	17¼	17¼	+ ⅛
9¾	5⅞	Advest	.12	1.6	24	43	7⅛	7⅛	7⅝	
52⅛	39½	AetnLf	2.76	5.7	8	640	48⅞	48⅛	48⅞	
65	90¼	AetL pfC	5.90e	6.2		1	94½	94½	94½	+ ⅛
37⅝	24	AflPb s	.22	.6	9	170	36⅛	35⅞	36	+ ⅛
18⅝	13⅛	Ahmans	.88	5.2	10	5396	17⅛	16⅞	17	– ⅛
4⅝	1⅞	Aileen			21	19	3½	3½	3½	
93⅛	83½	AirPrd	1.20	2.7	11	3840	44	42⅞	43⅞	+ ⅛
23⅞	12⅞	ArbFrt	.60	2.6	23	67	23	22⅞	22⅞	– ⅛

Continued on Page 39

NYSE COMPOSITE PRICES

Continued from previous Page

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices January 12

OVER-THE-COUNTER

Nasdaq national market, 3pm prices January 12

FINANCIAL TIMES Friday January 13 1989

AMERICA

Fear of being left behind triggers another Dow rise

Wall Street

FEAR among investors of missing an upward move in the equity market after the Dow Jones Industrial Average's close on Wednesday at another post-crash closing high appeared to be the main trigger for buying yesterday, *writes Janet Bush in New York.*

At 2 pm, the Dow stood up 21.07 at 2,227.50 on healthy volume of 124m shares. For every five shares that fell, nine scored gains, a higher proportion than earlier in the session, suggesting a steady increase in buying confidence.

The fact that Wednesday's close was above the 2,200 level on the Dow also appeared to encourage more participation in the market. This was in spite of the fact that the level has no technical significance and the Dow managed to reach it only because of programme trades in the last hour of business.

In the euphoria surrounding the performance of the Dow Jones Industrial Average in recent sessions, it has been forgotten that other, broader indices have not done quite as well. On Wednesday, the Standard & Poor's 500 index closed at 282.01, still below its post-crash high in late October 1988 of 283.66.

However, the S&P 500 finally managed to score a new post-crash peak yesterday and was quoted 2.19 points np at midsession at 284.20. This performance gives a more encouraging gloss to the market's rally so fer this year, suggesting broader advances than the relatively narrow Dow Jones index does.

However, there is some concern that rallying stocks have not been eccompanied by a significant increase in volume. A newsletter published by Standard & Poor's suggested that any rally would not be sustainable until volume increased to more than 200m shares a day. Not once in the past three months has this been achieved.

Movements in other markets were not dramatic. Both the dollar and bonds started lower and then recovered. However, the stock market does not appear to be reacting significantly either to movements in other markets or to economic fundamentals.

The Dow struggled earlier in the week while foreign equity markets surged and the dollar showed considerable strength. Yesterday, when the US currency was looking somewhat vulnerable after Wednesday's concerted central bank intervention, stocks put in their second best performance so far this year.

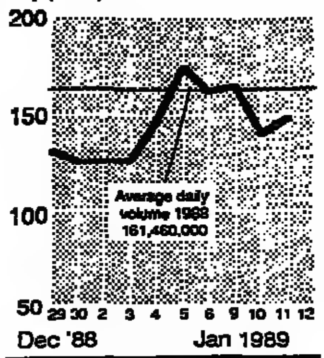
Merck jumped $⅝ to $60 after the publication of a report in the New England Journal of Medicine which was favourable towards Omeprazole, a new type of ulcer drug which Merck intends to market under the name Losec. Merck's stock had already risen on Wednesday on speculation about the report. SmithKline Beckman rose $⅝ to $51⅛ in spite of the fact that the report said that Losec healed ulcers better than its Zantac.

Eaton fell $1⅞ to $56⅞ after the announcement that Rockwell International had called off talks about a possible purchase of its AIL subsidiary.

Long Island Lighting Company added $½ to $13¾ after a press report saying that the company was close to receiving a full-power operating licence for its Shoreham Nuclear Power Plant.

Kollmorgen surged $2⅝ to $24 as Vernitron launched e $23-a-share tender offer for the company which compared with an earlier offer of $20 a share.

NYSE Volume



Canada

THE RALLY in Toronto continued, with share prices moderately higher at midday in active trading. The composite index gained 14.8 to 3,483.4 on volume of 27.1m shares.

There were two 3m-share block trades of Texaco Canada, which is paying a special dividend. The stock declined C$⅝ to C$45¼.

France gives 1988 lively send-off

Alison Maitland on a mixed month for Europe in terms of volume

THREE big European bourses rang out the old year in surprisingly lively fashion last month, with prices reaching new 1988 highs in a burst of activity in the run-up to the Christmas and New Year holidays.

There was a marked contrast between the higher volumes in France, West Germany and the Netherlands and the steep drop in turnover in Spain and Switzerland, which saw their lowest monthly figures of the year.

France made the biggest gains in volume terms, rising 17.5 per cent from November to FFr94bn ($15bn), the year's second best performance behind October's revised FFr101.2bn.

Activity was slow et the start of the month and midway through, when interest rate worries came to the fore. But enthusiasm built up amid a spate of positive economic forecasts for the first half of 1989, with much of the activity in big blue chips such as Peugeot and Lafarge.

An easing of the rules on "hard core" shareholdings in privatised companies generated further volume, as did interest in defence stocks and special situations, such as food gronp BSN's impending stock split, and end-of-year position squaring.

When the new monthly account began in Paris on December 22, volume surged, additionally boosted by relief that the US had not raised its discount rate, and the market climbed to new 1988 peaks.

West Germany's turnover rose 14 per cent to DM63.9bn ($35.5bn). It, too, suffered some jitters about interest rates mid-month, but once the expected rise in the Lombard rate was hehind it the market strode into higher territory.

There was a lot of positive news for the capital goods sector, while car stock VW met heavy buying on strong recommendations and a good sales and profits forecast. Electronics giant Siemens also stirred interest with its proposed bid with GEC for Plessey and news of joint ventures with IBM, helping the FAZ index climb to a year's high of 553.59 on December 27.

As usual, the Dutch market was dominated by Wall Street and the direction of the dollar, and sporadic buoyancy in both helped Amsterdam reach new peaks for the year from December 16 onwards. Turnover last month rose 9 per cent to Fl 10.8bn ($5.2bn).

There was also plenty of corporate news and speculation: steel stock Hoogovens benefited from the success of the British Steel public offer, while Nedlloyd, the transport company, and drinks groups Bols and Heineken were boosted by takeover talk.

At the other end of the scale, Switzerland fell into a stupor in December after hectic trading the previous month sparked by Nestlé's decision to allow foreign investors to buy its registered shares. The excited speculation about which company would follow Nestlé's lead continued into the first week of December, but then fatigue and the impending holidays took their toll early, with the result that volume was down 28 per cent.

The Spanish market spent much of December worrying about rising interest rates and the one-day general strike on December 14. There was a brief flurry towards the end of the month amid optimism about a better November inflation figure, but December ended nervously, with turnover down 11 per cent at Pta 302.5bn ($2.6bn).

Italy saw a 23 per cent fall in volume to L11,776.7bn ($8.8bn) amid uncertainty about whether the Budget would be passed, while Belgium showed only a slight decline on November's level as recapitalisation plans for Fabrique Nationale and Gechem kept the bourse from stagnating.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Source	Dec '88	Nov '88	Oct '88	Sept '88
Belgium	47.7	48.6	55.9	74.1
France	94.0	80.0	101.2	78.0
Germany	63.9	55.9	81.9	66.6
Italy	11,776.7	15,289.0	18,572.0	11,331.3
Netherlands	10.6	9.9	10.5	8.6
Spain	302.5	340.9	401.1	323.4
Switzerland	12.5	17.4	15.3	12.5

Volumes represent purchases and sales. Swiss data estimated. Italian data adjusted to include off-market trading. Source: County NatWest WoodMac

EUROPE

Speculation and company news invigorate bourses

CORPORATE news and speculation kept European bonrses buzzing, with only Milan lacking direction, *writes Our Markets Staff.*

BRUSSELS surged higher, led again hy interest in the steel and non-ferrous metals sector, with Hoboken the star of the show. The stock jumped BFr1,675, or 12.4 per cent, to BFr15,175 on continued speculation that Société Générale wants to buy up ontstanding shares in its subsidiary as part of a reorganisation of its nonferrous metals sector.

Trading overall was good and tbe cash market index climbed 36.41 to another record of 5,690.80. Steelmaker Arbed added BFr30 to BFr4,430.

PARIS saw good volumes in a number of stocks as special situations dominated a bullish session. Food, retail and energy issues were active and the OMF 50 index closed the session up 7.95, or 1.8 per cent, at 457.84. The opening CAC General index was just 0.3 higher at 434.4.

Volume for the session was estimated at FFr3.7bn. Among busy stocks was Moulinex, with 483,000 shares, rising FFr10.40, or about 9 per cent, at FFr127.40.

BSN, the food group, saw 199,000 shares dealt and climbed FFr37 to FFr716. There were rumours of Japanese buying and of London short-covering. It was also suggested that someone had acquired a 25 per cent stake, or that Heineken was to bny BSN's Kronenbourg beer division. The speculation was taken largely with a grain of salt.

LVMH gained ground in the final minutes of trading after falling initially on late news that chairman Mr Alain Chevalier had resigned. The stock finished up FFr5 at FFr3,889.

Paper maker Aussedat-Rey was suspended after news of a friendly tender offer from International Paper of the US.

FRANKFURT made up a little ground in better volume of DM4.2bn, with activity in the Bavarian hanks providing much of the interest. The FAZ index gained 3.91 to 566.69 and the DAX index closed 5.32 higher at 1,358.74.

Bayernhypo bank rose DM14 to DM393 and Bayernverein added DM16 to DM407, with both featuring among the 10 most active stocks. There was speculation that insurer Allianz, which has a 25 per cent stake in Bayernhypo as well as holdings in other banks, might be encouraging moves towards a merger between the two as a way to counteract competition resulting from Dentscbe Bank's move into insurance.

Siemens rose DM3.70 to DM549.70 after news that it and Britain's GEC had built up a 14.9 per cent stake in Plessey.

In retailers, Hussel fell DM3 to DM461 on its forecast of slightly lower profits for 1988 because of extraordinary costs involving its troubled Voswinkel sports/footwear division.

ZURICH continued upward, helped by gains on Wall Street and in the dollar.

Nestlé, which is holding a road show this week in the US, saw its bearers rise SFr130 to SFr7,450 and its registered stock gain SFr160 to SFr6,830. The company is thought to be trying to mend fences – perhaps with its future capital raising programme in mind – after angering overseas investors by unexpectedly opening its registered stock to them.

The Crédit Suisse index rose 4.3 to 539.3, its highest since October 21, 1987.

MILAN struggled to find direction amid a mixture of conflicting signals and the Comit index ended just below 600 at 597.24, a fall of 3.14. Volume was estimated to be slightly lower than Wednesday's L170bn despite positionsqnaring on the penultimate day of the trading month.

Insurer Ras lost a further L350 on its savings shares to L17,900 on disappointment over the rights and scrip issue announced on Tuesday. Montedison was also depressed, off L15 at L2,074.

Speculation about a takeover of Duménil Leblé of France by Cérus, the French holding company of Mr Carlo De Benedetti, again boosted Italian stocks in his group, with Cir up L15 at L5,915.

AMSTERDAM ended strongly after gains in the dollar and a firmer start on Wall Street, with the CBS tendency index up 1.6 at 160.2 in turnover estimated to be higher than Wednesday's Fl 340m.

Buying, which had come from continental Europe during the morning, particularly helped Royal Dutch, up Fl 2.90 at Fl 238.80, while Unilever added Fl 1.10 to Fl 121.50 on its possible Fabergé acquisition and feelings that it had been oversold. Philips, which said it expected higher profits in 1988, rose Fl 1 to Fl 121.40.

Nedlloyd gained Fl 5 to Fl 279 before being suspended for news of a five-for-one share split and a higher forecast for earnings per share, although analysts were initially unclear whether this inclnded certain extraordinary items.

STOCKHOLM experienced some profit-taking after its run of record highs, and closed mixed in moderate trading. The Affärsvärlden index edged up 1 point to 1,034.0.

Astra, pharmaceuticals concern, saw its free B shares rise SKr14 to SKr249 after positive prees reports abont one of its ulcer agents.

MADRID enjoyed another strong session, with volumes hoosted by foreign buying. Turnover was estimated above Wednesday's Pta 8.8bn. The general index added 1.70 to 277.89.

COPENHAGEN was enlivened by news that the country's two largest pharmaceutical companies, Novo Industri and Nordisk Gentofte, are to merge. Novo added DKr15 to DKr297.50.

SOUTH AFRICA

MOST mining and related stocks, including gold shares, closed higher in Johannesburg, hoosted hy a slightly firmer bullion price.

ASIA PACIFIC

Nikkei shakes off early profit-taking bout

Tokyo

THE CORRECTION that was widely expected, following three days of record highs, once again failed to materialise yesterday. In spite of a round of profit-taking, the Nikkei average closed unchanged, still at the previous day's record high, *writes Michiyo Nakamoto in Tokyo.*

Share prices eased gradually in early trading as investors took profits or kept to the sidelines and the Nikkei average fell to a day's low of 31,047.43.

In afternoon trading, however, the average slowly hut steadily regained its losses and climbed to a high of 31,155.02. It closed at 31,143.45, unchanged from Wednesday's finish.

More stocks fell than rose, at 468 to 459, but nine of the top 10 most active stocks ended higher while the other finished unchanged. Turnover was still robust at 1.25bn shares, against Wednesday's 1.51bn. The Topix index of all listed shares gained 3.72 to 2,445.82 and the ISE/Nikkei 50 index, tracking later trading in London, picked up 3.89 to 2,001.27.

"The market is fundamentally extremely strong," said Mr Piers Higson Smith at S.G. Warburg. On the whole, analysts conceded that it was only natural for the market to be taking a bit of a rest after the surge of the previous three days. Many agreed, however, that the strong undertone was still there, supported by a very bullish outlook on the futures market.

Even the profit-taking did not seem to undermine the positive sentiment, said Mr Masami Okuma, chief trader at UBS Phillips & Drew. "There was circular buying all along."

There was little negative news to depress investor sentiment. Wall Street had staged a strong performance overnight and, although the yen has been taking a battering lately, the currency market was relatively stable during Tokyo hours and the yen closed higher against the dollar.

It was rumoured that the Ministry of Finance had called representatives of the big four Japanese brokers in for a bit of a talking to concerning the market's unexpected surge immediately after the death of the Emperor, bnt this had no visible effect on the market.

Domestic institutional investors were said to be refraining from active participation during the week of official mourning, but their reduced activity was offset by smaller brokers and individual investors who stepped up buying on expectations of a higher market in the near future.

Large capital steels and shipbuildings also performed strongly. Shipbuilding issues are popular on expectations that Japan will be pressured into playing a larger role in world defence.

Mitsubishi Heavy industries, the largest defence contractor, was the second most actively traded issue at 55.2m shares and gained Y30 to Y1,140. Japan Steel Works rose Y55 to Y793 on the defence theme and on earnings expectations. Among steels, NKK topped the most actives list with 105.9m shares, adding Y33 to Y984.

In Osaka, the OSE average gained 40.54 to 29,202.10 and turnover rose to 151.34m shares against 148.2m.

Roundup

THE RISE overnight of the Dow Jones Industrial Average past the 2,200 level served as an inspiration to Asia Pacific markets, which saw a broadbased rally in healthy volumes.

HONG KONG chalked up its fourth record high in a row, as demand for utility stocks helped send the Hang Seng index 6.81 points higher to 2,879.33.

Volume was similar to Wednesday's, at HK$1.83bn. China Light was the busiest stock, ending 40 cents higher at HK$15.10 on turnover of 9.5m shares. The stock rose 70 cents on Wednesday.

AUSTRALIA resumed its new year rally, cheered by the overnight climb in Wall Street, with turnover underpinned by institutional demand.

The All Ordinaries index climbed 8.4 points to 1,507.8, and volume eased to 66m shares worth A$126m, compared with Wednesday's A$141m. News that December unemployment rose to 6.9 per cent from 6.7 per cent was in line with expectations and already discounted.

Brierley Investments lost 1 cent to A$1.03 amid speculation of a possible share raid on the company.

SINGAPORE boasted its sixth consecutive rise, closing higher in spite of afternoon profit-taking. The Straits Times industrial index gained 9.72 to 1,095.31.

Increased retail and institutional demand helped boost turnover to 63.4m shares, from the previous day's 51.3m.

NEW ZEALAND also rose for the sixth session running as gains in New York and Australia buoyed sentiment. The Barclays index added 15.78 to 1,919.16.

SOUTH KOREA turned around after dropping for four straight sessions as bargain-hunting took hold. The composite index put on 4.59 to 889.22, although volume was relatively light.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JANUARY 11 1989					TUESDAY JANUARY 10 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (90)	147.35	-0.6	122.66	113.49	4.73	148.20	124.56	113.65	152.31	91.16	98.94
Austria (18)	94.48	+0.0	78.65	89.58	2.75	94.47	79.40	89.57	100.00	83.72	93.46
Belgium (63)	133.85	+1.0	111.42	126.59	3.97	132.50	111.36	125.64	139.89	99.14	101.72
Canada (126)	129.04	+0.5	107.42	112.18	3.25	128.34	107.87	111.47	129.04	107.06	110.30
Denmark (39)	156.83	-0.2	130.55	150.64	2.01	157.17	132.09	151.40	161.60	111.42	115.04
Finland (26)	127.88	-0.2	106.45	113.31	1.54	127.67	107.30	113.52	139.83	106.78	110.01
France (131)	115.32	-0.2	96.00	112.70	2.86	115.52	97.09	113.05	117.51	72.77	80.99
West Germany (102)	87.40	+0.8	72.76	83.08	2.27	86.73	72.89	82.78	90.40	67.78	71.77
Hong Kong (46)	119.29	+0.1	99.30	119.54	4.26	118.26	99.39	118.52	119.29	84.90	91.18
Ireland (18)	127.14	+1.7	105.84	122.20	4.12	125.00	105.05	120.47	144.25	104.60	108.60
Italy (98)	84.51	+0.4	70.35	84.48	2.38	84.21	70.77	84.52	86.88	62.99	75.33
Japan (456)	197.02	+0.6	164.01	157.05	0.48	195.51	164.32	156.09	197.02	133.61	139.47
Malaysia (36)	149.01	+0.3	124.04	156.53	2.72	148.57	124.87	156.01	154.17	107.83	114.67
Mexico (13)	156.32	-2.1	130.12	390.86	1.31	159.72	134.23	399.54	182.24	92.07	94.17
Netherland (38)	111.15	+0.5	92.52	104.76	4.71	110.63	92.98	104.77	113.49	95.23	95.98
New Zealand (25)	70.29	+0.5	58.51	58.99	6.64	69.92	58.76	58.68	84.05	63.32	78.71
Norway (26)	151.41	-0.1	126.13	135.78	2.00	151.47	126.46	136.38	164.47	98.55	105.35
Singapore (26)	133.39	+0.7	111.04	119.25	2.23	132.45	111.32	118.44	135.89	97.99	99.71
South Africa (60)	117.36	+0.4	97.70	102.62	4.51	116.89	98.24	102.21	119.07	98.26	130.75
Spain (42)	147.38	+1.0	122.69	127.62	3.20	145.90	122.62	126.89	164.47	130.73	132.35
Sweden (35)	146.82	+0.6	122.21	135.79	2.11	145.88	122.61	135.30	146.82	96.92	97.81
Switzerland (57)	77.90	+0.4	64.85	75.15	2.26	77.41	65.06	75.08	86.75	74.13	77.96
United Kingdom (317)	136.26	+0.7	113.43	113.43	4.76	135.02	113.48	113.48	141.51	120.46	130.49
USA (571)	114.83	+0.6	95.59	114.83	3.62	114.18	95.97	114.18	115.55	99.19	100.29
Europe (1010)	114.66	+0.7	95.45	102.77	3.67	113.89	95.72	102.75	116.61	97.01	101.19
Nordic (126)	141.30	+0.2	117.62	127.43	2.01	140.98	118.49	127.52	–	–	–
Pacific Basin (679)	191.60	+0.7	159.66	153.59	0.69	190.40	160.03	152.69	191.80	130.81	136.03
Euro-Pacific (1689)	160.89	+0.7	133.93	133.49	1.55	159.75	134.26	132.92	160.89	120.36	122.14
North America (697)	115.59	+0.6	96.22	114.69	3.60	114.94	96.61	114.05	116.07	99.78	100.83
Europe Ex. UK (693)	100.97	+0.5	84.06	96.40	2.82	100.48	84.45	96.33	102.91	80.27	83.04
Pacific Ex. Japan (223)	129.32	+0.0	107.66	110.00	4.45	129.29	108.67	109.72	129.32	87.51	94.56
World Ex. US (1888)	159.35	+0.7	132.65	132.60	1.62	158.23	132.99	132.03	159.35	120.26	121.81
World Ex. UK (2142)	142.87	+0.7	118.93	127.99	1.98	141.97	119.32	127.33	142.87	111.77	111.80
World Ex. So. Af. (2399)	142.42	+0.7	118.56	126.75	2.20	141.48	118.91	126.16	142.42	113.26	113.05
World Ex. Japan (2003)	115.88	+0.6	96.46	110.43	3.67	115.22	96.84	110.04	115.88	100.00	101.01
The World Index (2459)	142.27	+0.7	118.43	126.59	2.22	141.33	118.78	126.00	142.27	113.37	113.46

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.62 (US $ Index), 114.42 (Pound Sterling) and 123.18 (Local).

Latest prices were unavailable for this edition.